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SECOND CLASS
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New moves at Denny's, Canteen

by Peter Romeo

SPARTANBURG, S.C. — Ted Arts has ascended to the top executive post at contract-feeding giant Canteen and Bernard Scott has moved up to succeed Sam Maw as head of the Denny's coffee-shop chain in another management realignment by TW Services.

Maw has been promoted to the newly created post of senior vice president of product development for all of TW's operations, which also include the El Pollo Loco chicken chain, the Quincy's steakhouse system and 400 franchised Hardee's units.

Arts, Scott and Maw report to Jerry Richardson, who remains TW's president and chief executive. However, the changes relieve Richardson of his day-to-day responsibility for Canteen, which he had overseen since longtime skipper Bob Kozlowski resigned last year.

In addition, TW said it has commenced a consolidation of its $3.7 billion-a-year foodservice empire. The headquarters of Denny's and Canteen will be moved from Irvine, Calif., and Chicago, respectively, to TW's corporate base here, where Quincy's and the Hardee's division already are located.

The restructuring caps a year of sometimes wrenching changes for TW, which has b ped since its l last year by (ers, a New partnership. F company al- r ed Denny's h e and shuf- f ent-leading c ent twice.

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Women in foodservice
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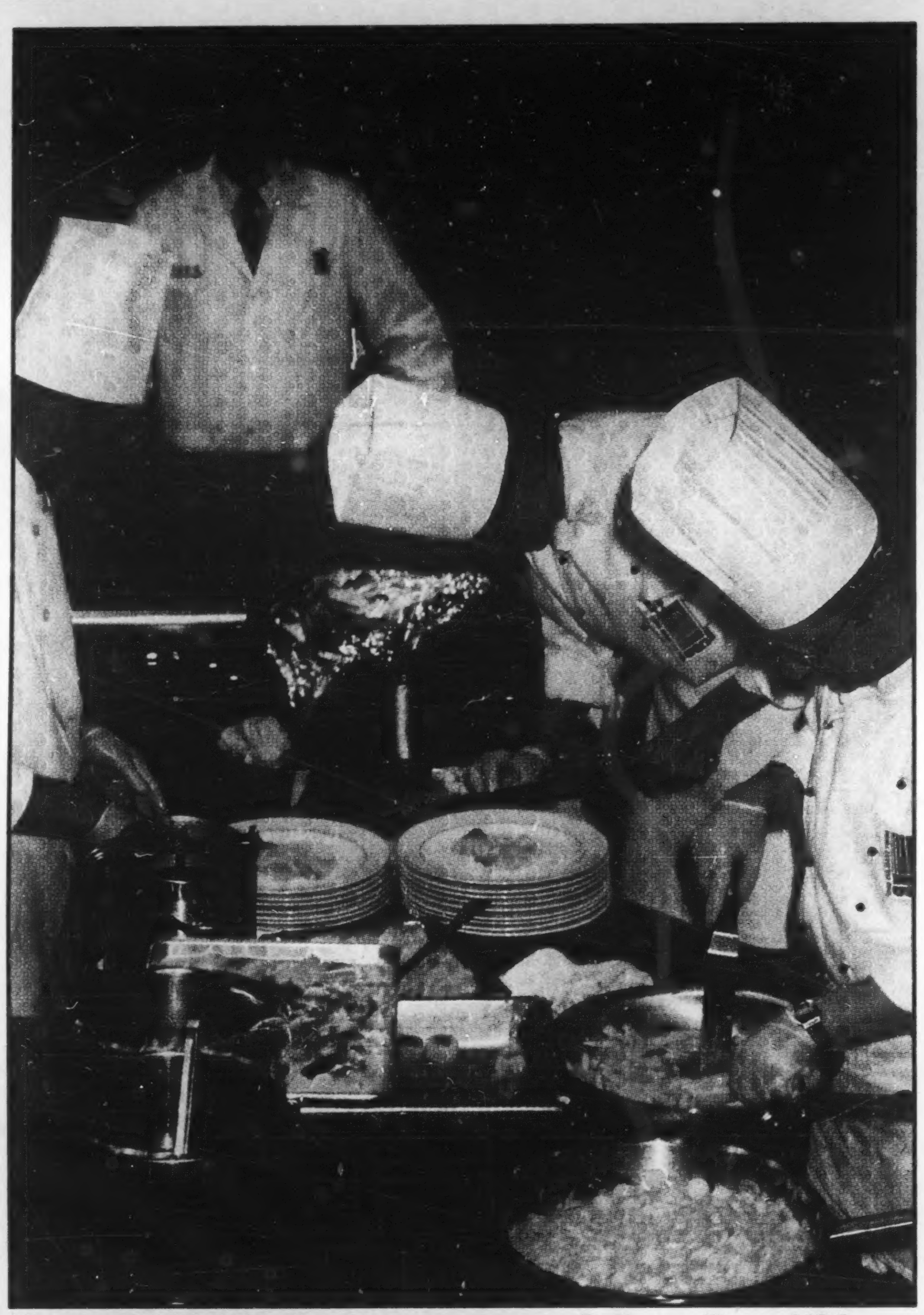


Manager Keith Keogh, at rear, oversees Culinary Team USA during practice session for Expo Gast '90.

Team USA girds to defend title in Luxemburg

by Jack Hayes

ORLANDO, Fla. — Confident that a return to basics and the regional flavors of America will give them the winning edge they need, the 1992 Culinary Team USA is preparing to defend the nation's World Cup title in Luxemburg this week.

Cooking in international competition for the first time since they became a team, America's top five culinary team members will face a field of challengers from 20 nations at the prestigious Expo Gast '90.

The team will head for the competition armed with such regionally influenced hot-food plates as Kennebunkport Fisherman's Kettle, Barbecued Short Rib Bonanza and Summer Breeze Catalina. At the same time, Team USA's chefs will bolster that effort with a cold-food theme attack built around America in autumn, mixing seasonal vegetables with game favorites including rabbit and quail.

"We have our opinions, but this [Luxemburg] is where we're going to find out," said Team USA manager Keith Keogh, the executive chef for Walt Disney World's Epcot Center here, who calls the new strategy "a return to the basics."

More than 1,000 international chefs will attend the quadrennial World Cup event, set for this month at the Nouvelle Foire in Luxemburg-Kirchberg. Ranked the second most important team competition on the international scene — only behind the legendary

(See TEAM, page 44)

Energy costs peril profits

Operators face hikes as crisis in Gulf scrambles oil prices

by Peter O. Keegan

Foodservice operators across the nation are bracing for escalating energy bills — and for many the blow to the bottom line could mean a hard winter ahead.

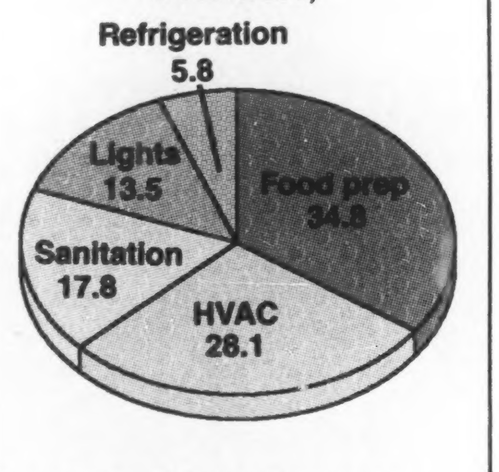
With oil prices reaching new heights as a result of the Persian Gulf crisis, electric, gas and oil companies are passing on the additional expenses at a tough time in the industry and pressuring already slim profit margins for operators.

"If this keeps up, everyone is going to have to look harder at the cost benefits of additional capital expenditures," said Willam Dolan, senior operations vice president at Rax Restaurants. Dolan reports that his company periodically works with local utility companies to review rate structures and conservation techniques.

Smart operators in all segments of the industry are realizing that in addition to concentrating on shaving pennies off their food and labor costs, they can also increase margins by saving energy. And faced with rising rates, they are pur-

(See ENERGY, page 45)

Average energy use in restaurants
(percentages of gas and electric use)



Source: National Restaurant Association

Energy-saving tips
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In change of heart, Arby's convention applauds Posner

by Jack Hayes

ATLANTA — In a show of diplomacy unseen since Jimmy Carter got Menachem Begin and Anwar Sadat to embrace at Camp David, Arby's Inc. president Frank Belatti lured the reclusive Victor Posner into a roomful of applauding franchisees and executives at the company's 26th annual convention here.

"A year ago we were locked in a crazy ownership dispute," Posner admitted in a brief yet galvanizing address at the Arby's awards dinner. "Today I look ahead, and I see a bright future for all of us," added the secretive financier, pro-

(See ARBY'S, page 45)

NRN Photo

Belatti, left, and Posner embrace in a show of unity.

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NEWS BRIEFS

Hardee's to reduce corporate staff

ROCKY MOUNT, N.C. — Hardee's Food Systems said it plans to trim 125 positions from its corporate payroll, reducing its headquarters staff by about 12 percent.

Separately, the nation's third-largest hamburger chain has enlisted former Pepsi-Cola and Kellogg Co. executive Michael Simpson to head its marketing efforts as executive vice president.

The staff reduction is part of a company realignment to focus on franchising and reduce its 38-percent, company-to-franchised-store ratio, said spokesman John Merritt. Cutbacks will come mostly from departments related to support services for company-owned units, he said, noting that cash incentives and early retirement packages were being offered to employees who volunteered to leave before layoffs were enacted.

Meanwhile, Hardee's is moving to eliminate a layer of management from its field operations by placing 50 or more district managers back in top-performing company restaurants and increasing the number of units under the direction of each remaining field manager.

Bob Evans unveils new 3-in-1 concept for resort areas

COLUMBUS, Ohio — Bob Evans Farms, the 247-unit family restaurant chain based here, has unveiled a new three-in-one concept — combining a restaurant, bakery and gift shop — that the company plans to develop in resort and tourist areas.

Called Bob Evans General Store, the multipurpose format sells arts and crafts and a new line of Bob Evans merchandise. The bakery will offer an extensive line of products, the company said.

According to the company, the design is similar to the format of the original Bob Evans restaurant in Rio Grande, Ohio. It is also similar in concept to Cracker Barrel, a highly successful chain of restaurant-gift-shop combination outlets located along highways.

The initial Bob Evans General Store is scheduled to open in April 1991 at the Kings Island Amusement Park in Mason, Ohio. Additional planned sites include Myrtle Beach, S.C., and Breezewood, Pa.

D'Amico plan bocci-pool unit

MINNEAPOLIS — D'Amico Partners, owner and operator of such well-known fine-dining restaurants here as D'Amico Cucina and Azur, is developing a new casual restaurant and bar that will feature an indoor bocci court and pool tables.

Bocci — the traditional Italian sport that involves rolling melon-size wooden balls — will be located near D'Amico Cucina, across from the city's brand new arena, home to the Minnesota Timberwolves professional basketball team.

According to partner Richard D'Amico, the three-level restaurant will occupy 9,000 square feet and will feature an Italian and sports and entertainment theme. Targeted check averages at the restaurant, which is expected to open in February, will be about $7 for lunch and $12 for dinner, D'Amico said.

In other news, D'Amico Partners has taken over management of the high-volume Heartthrob Cafe and Philadelphia Bandstand in Minneapolis.

'Bill' Monro shuts Biff's

OAKLAND, Calif. — Veteran restaurateur S.J. "Bill" Monro, a past president of the California Restaurant Association and an active member of the National Restaurant Association, has closed Biff's Coffee Shop after a 27-year run.

Regular customers of the 24-hour restaurant known for hearty fare, such as the "Hangover Omelette," and friendly waitresses, were recently shocked to find a note on the door, confirming that the business had ceased operation.

Monro was unavailable for comment, but the Oakland Tribune reported that the closure was related to his health and a slowdown in business at the restaurant. Monro previously owned the once-popular Pam Pam Cafe in San Francisco's theater district and an adjoining prime rib restaurant called Rosebud's.

Rax closes 16 units in La., Fla.

COLUMBUS, Ohio — Rax Restaurants, the 450-unit sandwich chain based here, said it had shuttered a total of 16 underperforming units in Louisiana and Tampa, Fla.

"In Louisiana and the Tampa area, we simply lacked the necessary penetration to efficiently market our restaurants," Rax chief executive Ira Hermann said in a prepared statement.

The unit closings are the second major cutback at the chain in as many months. In September, Rax trimmed about 30 employees from its corporate staff, including Graydon Webb, a senior vice president.

Congress passes immigration bill to ease labor crunch

WASHINGTON — In a bid to ease the nation's labor crunch, Congress has passed legislation that will boost immigration by 40 percent beginning in 1992.

President Bush has said he would sign the bill.

The foodservice industry has championed increased immigration as a means of drawing more persons into the trade's shrinking labor pool. However, the bill passed by Congress largely boosts the quota of skilled workers who may enter the country, rather than persons likely to seek the entry-level vacancies that abound in the restaurant trade.

The measure would permit 700,000 immigrants to annually relocate in the United States during 1992, '93 and '94. That compares with the current quota of about 500,000.

Advocates vow to resurrect Civil Rights Act

WASHINGTON — Civil-rights advocates have already vowed to resurrect in 1991 the controversial anti-discrimination act President Bush vetoed in late October at the urging of the restaurant industry and other business groups.

The business community has identified the Civil Rights Act as one of the most threatening legislative proposals to arise in recent years.

The initiative rejected by Bush would have expanded access to the courts by persons who believed they were the victims of discrimination at their jobs.

In addition, the act sought to reverse recent court rulings that in effect made job discrimination cases harder for plaintiffs to win.

Opponents — including President Bush — contended that the changes would have forced businesses to prove their innocence and fend off lawsuits by using hiring quotas.

Civil-rights proponents have dismissed that argument as a rationalization of employers' unwillingness to promote the interests of women and minorities.

Harry M. Stevens loses NY's Garden

NEW YORK — Paramount Industries, the parent company of Madison Square Garden, has decided to form its own in-house foodservice division and assume management of the historic sporting venue's concessions from contract-feeder Harry M. Stevens.

The operations generate an estimated $20 million annually.

Cranbury, N.J.-based Stevens had provided food and retail services at each of the Garden's three New York City locations since the late 1930s.

A Stevens spokesman said the company would vacate the Garden by June 30, 1991.

LEYE checks into Baja Beach Club

CHICAGO — Lettuce Entertain You Enterprises, a well-known multiconcept restaurant operator based here, has agreed to take over management of the restaurant of the Baja Beach Club from Heartthrob Enterprises.

"We are really excited about it," said Charles Haskell, an LEYE executive, adding that the new restaurant will be named The Original A-1 Beanery/West Texas BBQ & Bail Bonds.

Energy costs peril profits as Gulf situation scrambles oil prices

(Continued from page 1)

chasing new energy-efficient equipment, adding insulation, turning off fryers and taking advantage of audits from their local utility companies.

"I foresee a pretty good increase in utility rates," warns Bob Patterson of Laventhol & Horwath, an accounting and consulting firm. "Operators foresee it happening, but they are not feeling it yet."

Patterson expects operators to see significant increases in effect by February and added that it's hard to predict how high rates will rise.

Electric rates rose 2 percent in October and many electric companies are applying for six to 10 percent rate hikes while increasing bills through fuel adjustment clauses — the part of the bill that adjusts prices to fuel costs each month.

The Northeast and Southwest will be hardest hit because they have fewer gas pipelines and are more dependent on electricity from oil-fired facilities. In the Northeast, 40 percent of electricity is derived from fuel oil and in Hawaii, electric companies are almost 100 percent dependent on oil for manufacturing electricity.

Effects of rising oil prices will be less devastating in other parts of the country, where coal, hydro, nuclear and natural gas fuels are used to turn the turbines that make electricity.

"We still inventory our electric usage every night," said Ed Rensi, president of McDonald's USA.

Following crude oil, home heating oil and natural gas prices are on the rise as well. One third of all home heating oil consumed is still by commercial operations, and the 30 percent jump in prices in the last six months is leaving operators with sticker shock. Natural gas will rise about the rate of inflation this year, which is currently 9.5 percent, according to the American Gas Association.

"When the oil industry is affected, then we are affected," said Carl Erickson of the gas association. Erickson reports that gas rates in 1989 were 14 percent lower than they were in 1985. But, he predicted, demand for natural gas, due to the Middle East crisis, would raise prices over the next year.

At Bob Evans Farms, the company "spot markets" — or purchases gas wholesale — for restaurants in Pennsylvania and Ohio, where the rates are among the highest.

"We have an energy management system in 100 of our restaurants that controls on and off functions," said Bob Evans spokeswoman Tammy Roberts. "If a walk-in cooler or air conditioner reaches a certain level, it will shut off for 15 minutes to save electricity."

Restaurant operating costs typically run between 3 percent and 5 percent of restaurant sales, but could go as high as 7 percent in the future, reports the Edison Electric Institute. The trade association also says that utility costs nearly equal profits at many operations, so savings on utility costs flow directly to the bottom line.

"The single largest category is food preparation equipment," said Bob Harrington, assistant director of technical services at the National Restaurant Association. Harrington pointed out that 34.8 percent of energy bills go to running fryers, steamers, slicers, griddles, broilers, ovens, grills and other kitchen food prep equipment.

The second largest user is heating, ventilation and air conditioning (HVAC), which is mainly run by electricity, consuming 28.1 percent of the energy bill. The two combined make up more than 60 percent of total energy used in restaurants.

In a 1985 study, where the NRA metered each category of restaurant energy usage, Harrington found that the greatest waste of energy is in pre-heating and idle time. "To save energy, operators should take a look at how long ahead of time they are pre-heating ovens and griddles," stated Harington. "Instead of a 40-minute preheat time, can it go to 30?"

He pointed out that during a slump time — say between lunch and dinner — operators can turn off two of four fryers that are not in use to conserve energy. He also points out that HVAC savings can be realized from insulation, weather seals and taking advantage of energy audits from utility companies. "The potential is there for big impacts on savings," he said.

"The sensible operator should be looking at energy saving equipment," said NRA's Harrington. "Some operators say, 'It's coming, I better think now,' while others will wait until they see the effects."

He advises operators to critically evaluate projected costs, depreciation, repairs and life-cycle of equipment and payback periods before changing deciding on when and what to purchase.

Energy-saving tips

More and more operators are purchasing energy-efficient equipment for long-term savings; a few of the latest innovations include:

- Fluorescent lamps are four to five times as efficient as incandescent lamps and last up to seven times as long. Replacing a 150-watt bulb with a 13-watt high-efficiency compact fluorescent bulb can mean big savings.
- Heat recovery systems capture 25 percent to 33 percent of waste heat from air conditioners and refrigeration systems. The heat is then recycled to heat water.
- Heat pump water heaters are equipped with evaporators to capture heat above kitchen hot spots — cooking lines and dishwashing areas — to make hot water. In addition, cool, dry air — a by-product of the heat pump — is pumped back into the kitchen. The cost is about $2,000, but operators can save up to $1,200 to $1,500 in the first year alone.
- Solid-state thermostatic controls maintain accurate and efficient temperatures.
- Energy-saving variable-speed heat-pump compressors that match up output with demand for heating and cooling; energy-efficient fan motors; and automatic night setback and morning warm-up controls.

Arby's executives welcome Posner

(Continued from page 1)

jecting a rare smile in one of his rarer-yet public appearances.

Posner — who controls Arby's through Miami-based DWG Corp. — infuriated franchisees last year when he ousted Arby's president Leonard Roberts, ignored a $200-million takeover bid, and threatened to pull the corporate headquarters out of Atlanta.

"I'm making an-investment in your future," Posner told the franchisees. "I share Frank's vision and enthusiasm — so I've agreed to spend $200 million in the next five years to make Arby's the best fast-food company in America."

This year's gathering of corporate and franchisee leaders — playing to the theme "Whatever It Takes" — parted with a pledge to keep Arby's out of the doldrums of recession and drive it ahead of its competition in the 1990s.

"We have every intention of owning the 90s," said Belatti, conceding the average unit's sales grew by only 2 percent during the past year. "We realize we've slowed down. The whole industry has slowed down. But somebody is going to win in this decade, and we want it to be us."

Approaching the close of another landmark year, Arby's acquired or built 40 new company units, hired 50 new corporate staffers, split the system into five regional offices and attacked several new international markets during 1990.

Posner, meanwhile, has authorized the building of 200 new company stores — and the renovation of 190 more units — by 1995.

"Last year was a bump in the road," said J.B. McGuire, a 4-unit franchisee who heads Sausalito, Calif.-based Altamira Corp. "Arby's is laying golden eggs, and Posner's not going to do anything to hurt his goose."

Running 7th among the the nation's eighteen largest sandwich chains, with domestic sales projected at $1.29 billion from 2,337 stores, Arby's will own roughly 3.5 percent of the 1990 fast-service sandwich market — in contrast to McDonald's $12.84 billion in U.S. sales from 8,650 units and a 35.8 percent market share.

Arby's recognized more than one hundred restaurants for breaking the $1 million sales mark. A unit operated by Richmond, Va.-based The Restaurant Co. — a 15-unit franchisee — led the system with volume of $1,721,000. The Altamira Corp. was another honoree.

Yet, even though supportive of Belatti — who became the fourth president at Arby's in as many months after Roberts' hostile departure in August, 1989 — the franchisees are still somewhat nervous about sagging sales and traffic.

And one franchisee representative, requesting anonymity, voiced concern about whether shrunken royalties — resulting from the economy's downward push on sales — will threaten Arby's ability to retire major debts that are coming due next year.

"Everybody's upbeat here at the convention, but out there facing the real economy they turn cautious," said Bill Lunsford, a 3-store franchisee who owns Arbco enterprises in Morristown, Tenn.

"We'd all like to have that magic bullet," added 3-unit Arby's operator Roy McDonald of Dijan, Inc. in Clarks Summit, Pa., echoing the mood of almost every franchisee interviewed here.

Arby's answered the franchisees not merely with new test products and new seasonal promotions, but with a menu of new store designs, new renovation packages, new labor-saving equipment, and even new food concepts including the Daddy-O's double drive-thru operation just acquired from Columbus, Ohio-based G.D. Ritzy's, Inc.

"You can't just call for another flight of television or drop another coupon," said Belatti. "We're like a football team coming out of the tunnel onto a frozen field. The snow is flying, and the first reaction is panic and discomfort. But this economic contraction will pass."

"We've got about a hundred franchisees who haven't been through this [soft business] cycle yet," said Larry Krueger, Arby's marketing executive vice president. "But the rest are out there hunkering down," he added.

Meanwhile, Arby's is shifting it's short-term game plan to more in-store promotions and custom-designed promotional sandwiches that are profitable.

"We already know there are no new customers," said Krueger. "The burger giants are fighting to the death, and that's one fight we want no part of. We're offering alternatives."

The test circuit now includes two new grilled chicken sandwiches, two new sub sandwiches, and new items from the Great Southwest Menu: Nacho Curly Fries and Chicken Fajita Pita, according to Krueger.

The Grilled Chicken Deluxe and Grilled Chicken Barbecue sandwiches are under test in several markets, and are the most likely candidates for spring introduction, Krueger said.

He said the Chicken Fajita Pita test is on in Denver and Minneapolis, while the Roast Beef Sub and Italian Sub test is underway in Salt Lake City. But a new roast chicken dinner product is still a year from test, he added.

"Every year, Arby's comes up with a strong marketing program," said Bill Whitehurst, chief financial officer, The Bailey Company, a 61-unit franchisee based in Littleton, Colo.

"What excites me most is the new equipment," said Cliff Sanders, partner in Morath, Inc., a 3-store franchisee in Garland, Texas. A new piece of kitchen equipment that cuts beef-thawing time from 72 hours down to 30 hours will save inventory dollars, he explained.

"We've put a lot of expectations on people's plates," said Belatti.

During the battle of 1989, Posner had become a much-mistrusted name among Arby's franchisees who were backing the $200 million takeover offer of a group called R.B.Partners which was being guided by the exiled Roberts.

The struggle died abruptly, some four months after it began, when Roberts took the presidency of Shoney's, Inc. in Nashville, Tenn. — giving Posner the chance to lift the charismatic Belatti, Arby's former marketing head, into the chief executive's chair.

> This year's gathering of corporate and franchisee leaders — playing to the theme "Whatever It Takes" — parted with a pledge to keep Arby's out of the doldrums of recession and drive it ahead of its competition in the 1990s.

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Chains mobilize for new menu blitz

Operators take aim at recession with new products

by Peter Romeo

BALTIMORE — As warnings of a recession continue to mount, a number of restaurant chains are planning to combat the downturn with a barrage of new menu items.

Among the products slated for rollout are hot dogs and chili dogs, by the Carl's Jr. hamburger chain; broiled seafood, by the Captain D's quick-service fish operation; and baked fish, by Skipper's, a Northwestern fried-fish specialist.

During a financial conference held here by the Alex. Brown & Sons brokerage, Cracker Barrel executives disclosed that a supplier is developing a new array of ice creams for the country-themed chain. And Chili's officials showed a commercial touting the dinner-house operation's new Awesome Blossom, an appetizer of fried onion.

Rally's, the fast-growing double-drive-thru chain, indicated that it has also been experimenting with possible menu additions, including a low-calorie milk shake. But president Richard Sherman noted that the product has not been warmly accepted in sales tests.

"Our customers tell us they want the fattier shakes," he said.

Shoney's Inc., parent of Captain D's and a slew of other foodservice concepts, revealed that it has shifted its test kitchens into overdrive.

"Last year at this time, we had 30 items in test for all of our restaurants," chairman Len Roberts told the portfolio managers at the Alex. Brown conference. "We currently have 250 items in test."

The operator has already

(See CHAINS, page 73)

NRN Photo

Bob Chinn, owner of Bob Chinn's Crab House in Wheeling, Ill., seated with lobster and crab entrées in his restaurant.

Rustic crab houses claw westward as idea catches on

by Carolyn Walkup

CHICAGO — Crab houses, once strictly an Eastern seaboard phenomenon, are proliferating around the country, aided by modern air transpor-

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napkins and sinks in the dining rooms for washing hands after messy, butter-soaked feasts. These places are not to be confused with pricier fine-dining seafood restaurants.

Those on the coasts tend to meet regional preferences for crabs from the nearest ocean. The Chicago area, though, is building its own tradition as a source for crabs from all over

(See CRAB HOUSES, page 73)

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McD's switch to paper fuels packaging debate

by Alan Liddle

McDonald's widely publicized switch from polystyrene to paper packaging has turned up the heat under the long-simmering disposable container controversy.

And the hamburger giant's competitors wasted no time jumping on the publicity bandwagon, boasting that they had always used paper products or had shifted to them first.

Burger King fired the biggest shot at McDonald's move by running sarcastic full-page ads in several prominent daily newspapers, including The New York Times, Los Angeles Times and Washington Post.

The ads trumpeted, "Burger King applauds McDonald's new environmental consciousness ... Welcome to the club," and, noting that Burger King has used paper-based packaging since its founding, "We wonder what the planet would be like if you had joined us in 1955?"

"When you do something good for the environment, everybody wins," said Melissa

(See MCDONALD'S, page 4)

Raber urges industry to fight consumer activists

See story on page 4

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Making it in America

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JB's signs on as Sbarro franchisee

by Bill Carlino

SALT LAKE CITY — Subscribing to the axiom that two growth vehicles are better than one, JB's Restaurants, the 134-unit family restaurant chain, has sealed an agreement to become a franchisee of Sbarro, a quick-service Italian concept.

Under the terms of the contract, JB's Restaurants, based here, owns the exclusive rights to develop Sbarro in Phoenix and in Portland, Ore.

sbarro®

JB's® RESTAURANTS, INC.

JB's operations are currently scattered throughout 10 Western states.

"The two companies will be run independently of each other," explained Fred P. Gonzales, president and chief operating officer of JB's Restaurants. "The attractive part of the agreement is that the two operations won't be in conflict because they cater to different customer segments."

The contract includes the purchase of two Sbarro units already in operation in Phoenix and Scottsdale, Ariz.

Based in Commack, N.Y., Sbarro has traditionally opened in-line units in shopping malls. However, because of JB's experience in operating stand-alone stores, Gonzales hinted that they might explore

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Vol. 24, No. 46 · November 19, 1990

NEWS BRIEFS

Copeland defaults on loan, seeks debt restructuring

JEFFERSON, La. — Al Copeland Enterprises, owner and franchisor of the Popeyes and Church's Fried Chicken Chains, is in default on $391 million in debt and is scrambling to put together a debt restructuring plan to avoid bankruptcy.

Copeland, which acquired Church's last year for $392 million, said that it failed to pay $3.3 million in bridge loan interest and $4.2 million in principal due in September on a term loan and that extensions have expired.

If either the Canadian Imperial Bank of Commerce, which is owed $249 million on a term loan, or Merrill Lynch and Co., which holds $142 million in a subordinated bridge loan, demands payment, the company said it may be forced to seek Chapter 11 protection.

Copeland has reportedly brought in First Boston Corp. to restructure the debt, but it could not be reached for comment.

Wholesale food cost inflation declines in Oct.

WASHINGTON — The rate of price increases for wholesale foods declined in October for the third month in a row on a year-to-year unadjusted basis, according to the Department of Labor's monthly producer price index.

Finished consumer foods, the report's category for wholesale foods, rose 4.3 percent last month on a yearly unadjusted basis, four-tenths of a percent lower than September's rate of increase and a full percentage point lower than August's.

Overall, the finished consumer foods contributed to a 6.4-percent unadjusted annual rise in the PPI.

Decreases in the rate of wholesale food costs were evident in many commodities. Cheese prices dropped 4.1 percent from year-ago levels and processed young chicken prices declined 5 percent.

California voters defeat liquor-tax hikes, 'Big Green'

Californians roundly defeated the state's "nickel-a-drink" ballot initiative, which would have raised alcoholic-beverage taxes, and overwhelmingly rejected the proposed "Big Green" toxics and pesticides ban that critics said would have raised food prices.

Supported by grape growers and rice farmers, the alcohol industry spent about $18 million to defeat the "nickel" proposition and another $4 million to promote a "penny-a-drink" alternative, which also lost. The negative vote majority was 69 percent on the "nickel" proposition and 59 percent on the countermeasure.

Industry lobbyists predicted the "nickel" measure would have reduced beverage sales by $290 million a year and would have eliminated 6,000 jobs.

Chemical, oil and agricultural interests spent nearly $12 million to fight "Big Green," which lost by a 64-percent negative majority. Those industries raised another $5.5 million to support an alternative pesticide-control proposition, which lost on a 70-percent "no" vote.

Judge removes Ch. 11 Caramba's management

NEW YORK — A judge's order has removed the management of Caramba Restaurants Inc. and replaced it with a new corporation empowered to manage the four-unit Tex-Mex chain.

Caramba, once touted as a hot local concept, filed for protection from creditors under Chapter 11 last month. The order enables the new corporation to manage the ailing company pending a sale hearing this month.

The moderately priced chain was founded in 1981 by owners Ralph Price, Paul Seaman and Prem Bhandari. Management had earlier expressed interest in expanding outside of New York.

McCarty hotel plan scuttled by voters

SANTA MONICA, Calif. — Voters here overwhelmingly repealed the city's tentative agreement to permit restaurateur Michael McCarty to develop a 160-room luxury hotel on five acres of state-owned beach land.

McCarty, owner of the famed Michael's here and in New York and the Adirondack's restaurants in Denver and Washington, had himself sought the ballot referendum on the controversial project last summer. Rejection came by a vote of 18,234 to 11,358; by the same 62-percent majority voters passed a separate measure to restrict other construction in Santa Monica's coastal areas.

The city's voters "were upset by a lot of things, and we became the symbol," explained McCarty, who declined to say how much the now-scuttled project had cost to plan and promote since its inception several years ago. He reportedly outspent opponents by a wide margin by dropping more than $370,000 on the referendum campaign alone.

Wendy's switches from boxes to bags for kids' meals

DUBLIN, Ohio — Wendy's International said it is switching from boxes to bags for its special children's meals as part of an ongoing waste-reduction campaign.

"We will go with a bag, and that translates into a reduction of 2.7 million pounds of waste," said spokesman Denny Lynch.

The phaseout of boxes and the introduction of biodegradable bags should be completed within six months, Lynch said.

He also said other waste-reducing steps the chain has taken this year and estimates of the pounds of debris they kept out of the waste stream included a switch from printed to embossed napkins, 60,000 pounds of ink; a change from plastic pickle barrels to condensed cans, 400,000 pounds of plastic; and a switch in mayonnaise and mustard packaging from 5-gallon jugs in corrugated cardboard to squeeze pouches in smaller boxes, 600,000 pounds.

Oregon voters defeat packaging materials ban

SALEM, Ore. — A sweeping statewide initiative, which, among other things, would have banned packaging materials that couldn't be recycled at least five times, was rejected 58 percent to 42 percent by Oregon voters Nov. 6.

The Oregon Restaurant Association opposed the measure because of concerns that its stringent provisions would prompt manufacturers to greatly reduce the product lines they offer in Oregon. Association officials contended the proposed law might also reduce food safety by eliminating the individual portion packs used by operators with limited facilities.

Members of the Oregon State Public Interest Research Group drafted the proposed law and helped to qualify it for a place on the ballot.

A similar group, which known as MASPIRG, is attempting to qualify a comprehensive packaging initiative for an upcoming election in Massachusetts.

Rax retains firm to weigh options

COLUMBUS, Ohio — Stung by a three-year string of sliding sales and rumors of a possible sale, Rax Restaurants, a sandwich chain based here, has retained the Maryland-based investment firm of Alex. Brown & Sons to examine financial options available to the 521-unit company.

"We're considering all possibilities," said Rax chief executive Ira Hermann. "The minute you hire an investment firm, people automatically think that the company is up for sale. That's not the case here. Of course, if someone made a very attractive offer, I'm not saying we wouldn't listen."

In addition to contracting for outside financial advice, Rax will put its remaining 26 company-owned Florida restaurants on the selling block. The chain announced it was selling five Tampa restaurants just two weeks earlier.

Hermann added that Rax has also sold its 45,000-square-foot corporate headquarters building back to the mortgager and has taken a lease-back on the property.

FINANCIAL NEWS

Recession is no big threat, operators assure investors

by Peter Romeo

BALTIMORE — With dozens of portfolio managers attending the Alex. Brown & Sons' stock conference here, restaurant-chain executives used the occasion to assure investors that savvy foodservice operators will weather a recession with little if any damage.

In detailing their business plans for 1991, several of the chain executives even asserted that their operations could benefit from a recession, which most agreed was either under way or imminent.

"Middle- and low-income consumers typically trade down, which helps the quick-service restaurant," said Loren Pannier, chief financial officer of Carl Karcher Enterprises, operator of the Carl's Jr. hamburger chain. In addition, "there could be a shake-out of smaller, less-capitalized companies, which could help us."

"A mild-to-moderate recession represents an upside — not a downside — opportunity to acquire market share from our competitors," said Len Roberts, chairman of Shoney's, whose holdings include dinner houses and family restaurants as well as two fast-food chains.

Those companies were among a number of operations that disclosed plans at the conference to counter a downturn by overhauling their development strategies and broadening their menus.

For instance, Carl Karcher Enterprises said it would strive to increase the percentage of licensed units within Carl's Jr., a West Coast powerhouse. However, president Don Karcher did not specify whether the company would sell additional new franchises or divest company units to licensees.

Shoney's provided an update of the expansion drive it commenced last year when Roberts joined the operation. He disclosed at the Alex. Brown conference that the company would add a new growth vehicle to its fold by licensing its Fifth Quarter steak- house concept. All nine of the existing outlets are company-operated.

Meanwhile, he said, the company's main business, the Shoney's family restaurant chain, is preparing to absorb the 43 units that a new Chicago franchisee plans to open in the Windy City.

In addition to bolstering Shoney's franchise revenues, that sizable addition will also help the company's foodservice supply business, according to Taylor Henry, the concern's chief financial officer.

"With every new opening, we have another prospective customer for our commissary business," he said.

Henry acknowledged that "right now we're in a slow economic environment." But, he stressed, the slowdown has not impeded the company's expansion.

"We have people lined up to open Shoney's [units]," he said, explaining that prospective operators are lured by the concept's sales-to-investment ratio of 1.75.

In addition, "the bankers in our area have done very well in lending to open new Shoney's restaurants," he said.

Executives of Chili's, the multiconcept dinner-house operation, said the company planned to expand all three of its systems, including its flagship, the 216-unit Chili's chain.

The company said that it now plans to ultimately open more than 400 of the Chili's restaurants, instead of the 300 units it had originally envisioned.

The reason, said chairman Norman Brinker, was the concept's unexpectedly strong performance in small towns.

"About 25 percent of the new Chili's will use our new, more compact design, with 160 seats instead of about 200," Brinker said. "That's one of the reasons we've been so successful in small towns."

Chili's president, Ron McDougall, said the company would open two Romano's Macaroni Grills, Chili's new casual Italian concept, during 1991. It currently has two units open, with sales averaging $2.5 million per restaurant.

That compares with a per-store average of $2.1 million for Chili's, he said.

Expansion of Regas Grill, a chain of casual restaurants which garner about $3.4 million each, will also continue, the Chili's executives said.

Cracker Barrel, the highly regarded chain of combination gift shops and family restaurants, said it is also using a new building prototype.

"There is a larger prototype that we're building, with 200 seats," said chairman Dan Evins.

Skipper's, the Northwest-

*(See **RECESSION**, page 71)*

Selected Anti-Recession Strategies

- Embrace new menu items to broaden appeal, bolster margins
- Experiment with different building types: larger ones, to enhance sales-to-investment ratios, and smaller ones, to shoehorn units into small towns.
- Increase percentage of franchised units within the chain
- Use new concepts as growth vehicles

FOOD PRICE OUTLOOK

Chicken supplies down, prices stable

by Patt Patterson

Although the U.S. Department of Agriculture reports **broiler and fryer chicken** supplies were down in September by over 30 percent from last year's figure, prices are stable, at about the same level they were at this time in 1989. Producers have increased the number of chicks hatched at a slightly lower rate than demand, which suggests prices may rise into the new year.

Turkey supplies went into the holiday season about 20 percent higher than last year's, but demand continues strong, and production during the late summer started to taper off. Prices should stay relatively stable to slightly lower.

Fresh cranberries are tight. The New England crop has come in below forecasts. Most of the early harvest berries went to processors, with producers mostly withdrawn from the fresh market. Supplies are now flowing again but in reduced quantities to the foodservice market, with prices moving up.

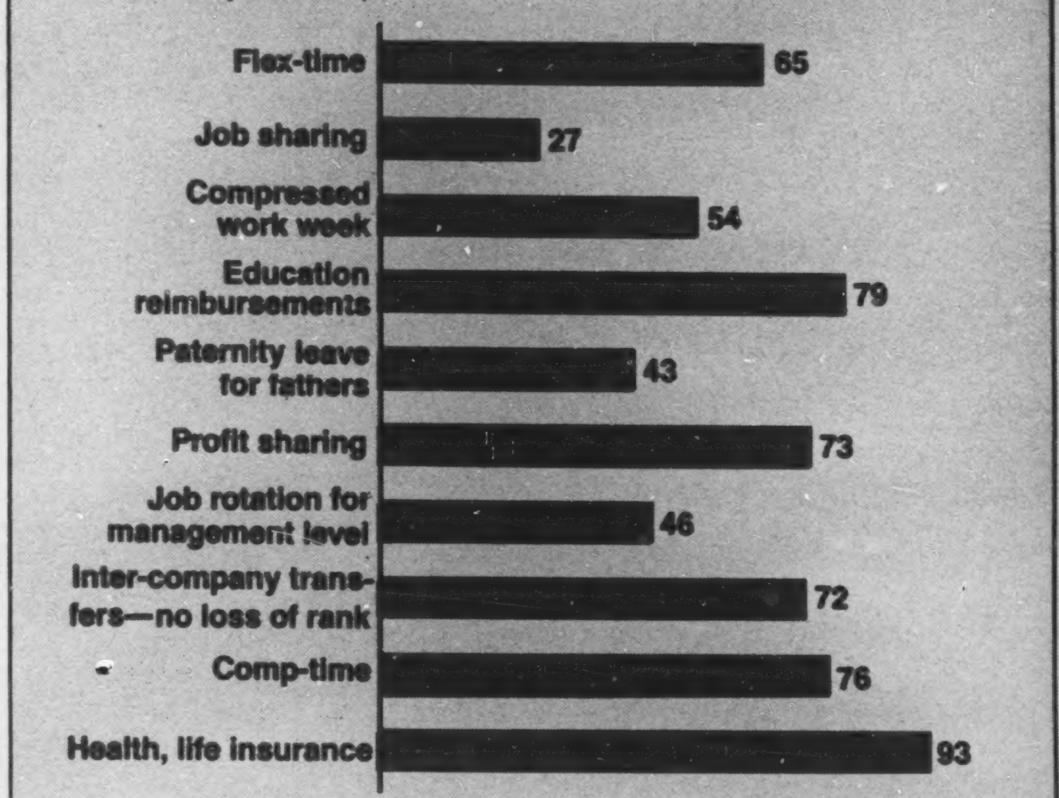
Rising prices for **frozen shrimp** have slowed demand a bit, but there is no sign of prices dropping as long as demand outruns supply. Imports are up about 4 percent or 5 percent over last year's. Domestic catches in the Gulf of Mexico are running strong in large sizes, and harvest is slightly above last year's. . . **Farmed catfish** volume is down from last year's figure, with prices higher than those of 1989.

Imported canned ham supplies still are below normal, with prices at high levels. Denmark has increased its shipments to this country by about 20 percent this year, nosing out Poland for first place. Poland's shipments have dropped 45 percent this year. . . **Domestic ham** prices remain high, with no major reductions in sight.

FACT FILE

Employees pinpoint valuable benefits

(percentage of employees to deem the following extremely or very valuable)



Source: Fairfield Research Inc., Lincoln, Neb. (as it appears in the October issue of the Restaurant Personnel newsletter)

FINANCIAL DIGEST

TW Holdings loses $3.3 million in 3rd Q

SPARTANBURG, S.C. — Citing interest expense on the $2.6 billion debt stemming from last year's acquisition of TW Services and non-cash charges in the form of depreciation and amortization, TW Holdings Inc. posted a $3.3 million loss for the third quarter ended Sept. 30.

In the year-ago period the company lost $44.2 million after writing down $60 million in non-recurring merger-related expenses.

Third-quarter revenues for the TW Holdings rose 6 percent, to $974 million.

The company operates the Denny's, El Pollo Loco and Quincy's restaurant chains, Canteen, a large contract feeder, plus about 400 Hardee's restaurants.

Sfuzzi secures private placement

NEW YORK — Sfuzzi Inc. said it has secured an $8 million private placement to fund expansion.

Montgomery Securities of San Francisco arranged the private placement in a series of preferred stock and subordinated debentures due in 1997.

The company, which operates seven Italian bistros in Dallas, New York, Houston, Washington, Boston, Denver and Philadelphia, is slated to open its eighth restaurant this month in Cleveland. It plans to add five units a year through 1992 and predicts it will gross $32 million next year.

Judge okays part of Southland plan

DALLAS — A U.S. Bankruptcy judge approved a plan for Southland, the bankrupt parent of 7-Eleven, to pay $220 million in bills to creditors while it continues to hammer out a plan to reduce its $1.8 billion in junk bond debt.

In turn, the creditors will continue to supply Southland with normal credit terms. Southland filed Chapter 11 a month ago, listing debts at $2.5 billion and assets at $3.3 billion.

In addition to solidifying a plan to pay its debts, Southland is also working to appease its bondholders in order to pave the way for the takeover of the company by its largest franchisee, Ito-Yokado of Japan.

National Convenience Stores' net falls

HOUSTON — National Convenience Stores, operator of the Stop N Go convenience store chain, reported a 73-percent drop in net income, to $1.2 million, for the first quarter ended Sept. 30, on a 2- percent rise in revenues, to $292.2 million.

The company attributed the earnings drop and the slim growth in sales to some "temporary" operating cost increases and said it expects stronger results as the year proceeds.

"The current quarter for NCS reflects strong results in the gasoline business, which were somewhat offset by a combination of flat merchandise sales and certain operating expenses that we believe are only temporary," said V.H. Van Horn, president and chief executive officer. "Looking ahead, I continue to be encouraged by the sales results of our remerchandising and reimaging efforts at Stop N Go."

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Big City

Diner-dance club opens in Manhattan

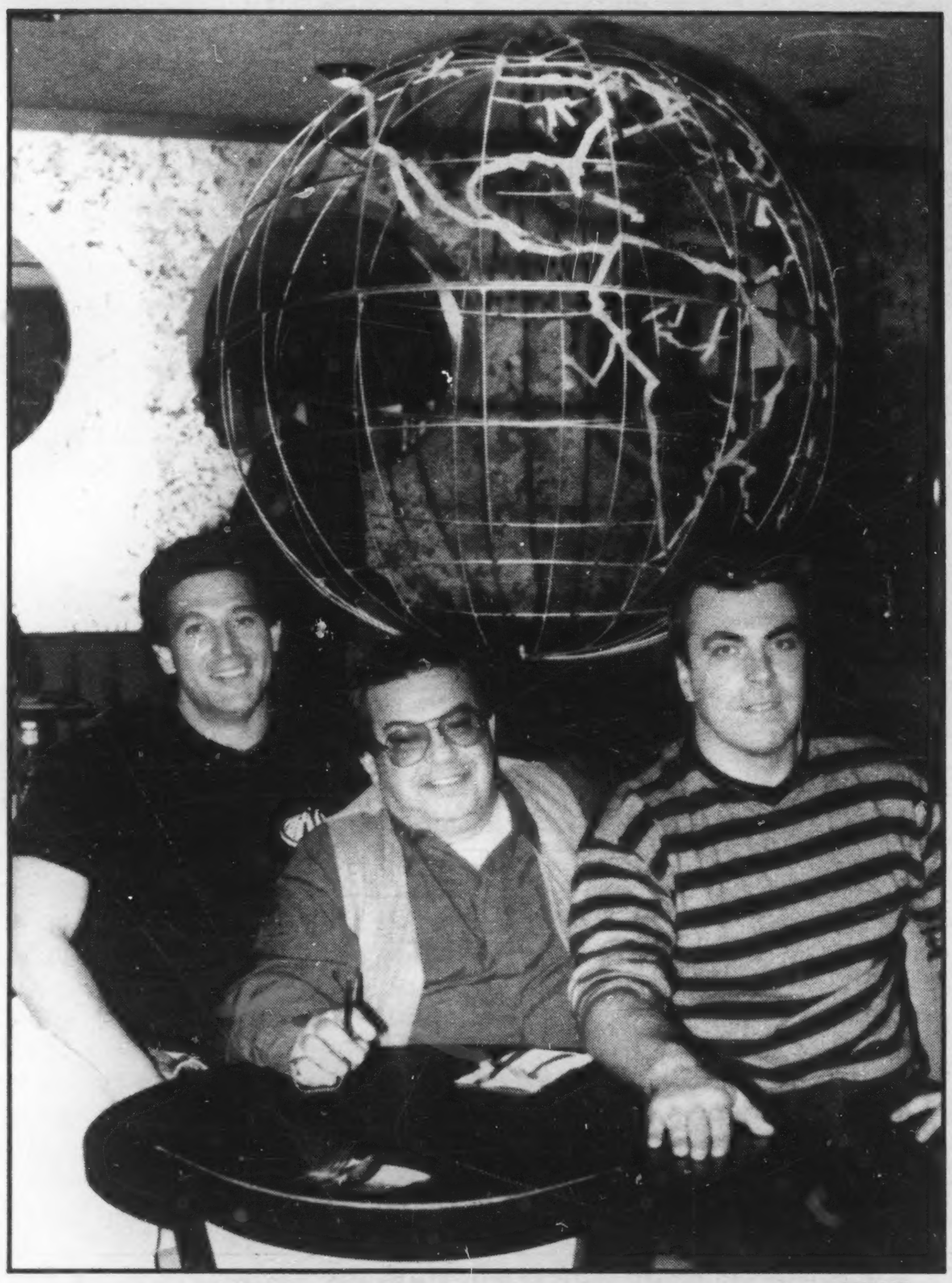
by Paul Frumkin

NEW YORK — While mock-'50s diners continue to draw urban crowds with their neon blast-from-the-past style and revisionist roadhouse menus, a group of veteran Manhattan operators are hoping to push the diner concept into the '90s by replacing the grease with a healthy shot of glitz.

Members of the Zelin family — a Manhattan diner dynasty since the 1930s — together with the owners of the popular but short-lived downtown club, Horatio 113, have launched the Big City Diner, a combination diner-cabaret-dance club.

Located at the corner of 11th Avenue and 43rd Street in the former Market Diner — the favored haunt of cabbies, truckers and limo jockies cruising the westernmost reaches of Hell's Kitchen — Big City looks like nothing so much as an ordinary suburban coffee shop that had been

*(See **BIG CITY**, page 77)*



NRN Photo

Big City Diner co-owners Jeffrey Zelin, left, Asher Zelin and Mark Morgan in The Unisphere Room.

Operators plot expansion push

Seek to capitalize on real estate, construction slumps

by Milford Prewitt

Unrestrained by fears of recession or foodservice's persistent sales malaise, several restaurant companies are taking advantage of soft real-estate markets and less expensive development deals to unleash major expansion drives.

Among the chains seeking to grow aggressively are Chili's, Shoney's, Subway, Showbiz Pizza Time, Applebee's, Blimpie's, Rally's, Ruby Tuesday and Arby's.

"From a strategic standpoint, this is a chance to improve your position in the market," said Jim Parish, chief financial officer of Chili's, the dinner-house chain that plans to grow by 25 restaurants, or 10 percent during the coming year. "It's an opportunity to find real estate at reduced prices."

Corporate planners point out that commercial real-estate prices have fallen all over the country as a result of overbuilding and the failure or relocations of businesses. They report that developers and landlords are willing to grant lower rents or cut their sales prices to fill sites that may otherwise lie vacant.

Moreover, restaurant executives who travel in search of new sites report that idle contractors are happy to sub-

*(See **EXPANSION**, page 7)*

Delis grab space in office buildings
See story on page 3

Team USA cops cup at Luxembourg cookoff

by Jack Hayes

LUXEMBOURG — Betting their culinary reputations on a cup of citrus yogurt, a bowl of fish soup and a $2.50 plate of barbecued short ribs, the members of 1992 Team USA outcooked [illegible] of Switzerland, Germany and 20 other fierce international competitors to win America's second consecutive Culinary World Cup at Expo Gast '90 here.

The U.S. team — cooking together only six months and competing in its first major international competition — captured gold medals in both the hot- and the cold-food events, with scores of 36.5 and 38.5, respectively.

The five members of the U.S. squad were Michael Russell executive chef at the Skyline Club in Detroit (Midwest and team captain); Keith Coughenour, senior saucier, the Greenbrier, White Sulphur Springs, W.Va. (Southeast); Alex Darvishi, executive chef, Athletic Club of Columbus, Columbus, Ohio (Northeast); Franz Poepperl, partner in Poepperl, Keppler Associates, Portland, Ore. (West); and Martha Crawford, assistant pastry chef, Desserts International, Exton, Pa. (pastry).

Team USA's coach was Roland Henin, corporate chef at

*(See **TEAM USA**, page 76)*

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Chains cut back on coupons

Major burger operations hope to rejuvenate profit margins

by Peter Romeo

In the struggle to wring profits out of a torpid market, several major burger chains are curbing their reliance on discounting in hopes of rebuilding margins.

Newfound restraint by Hardee's, Wendy's and Burger King could temper the price wars that have established discounting as one of the signature foodservice marketing techniques of 1990.

But observers question whether those players can continue to curtail their deal-making activities in the face of increased price cutting by segment-ruler McDonald's. Fast feeding's Babe Ruth has been charging as little as 49 cents for a hamburger in some markets, while dropping the price of its highly popular children's meals in selected locations by more than a dollar, to less than $2.

"If McDonald's were able to lower its prices on a permanent or even semipermanent basis and put its marketing muscle behind those deals, it would have to hurt the other chains," said Steve Rockwell, the restaurant analyst for Baltimore's Alex. Brown & Sons brokerage.

"The whole cycle of discounting will not end anytime soon, given that salvo of McDonald's joining in," said Nancy Kruse, a principal of the Technomic consulting and research concern in Chicago.

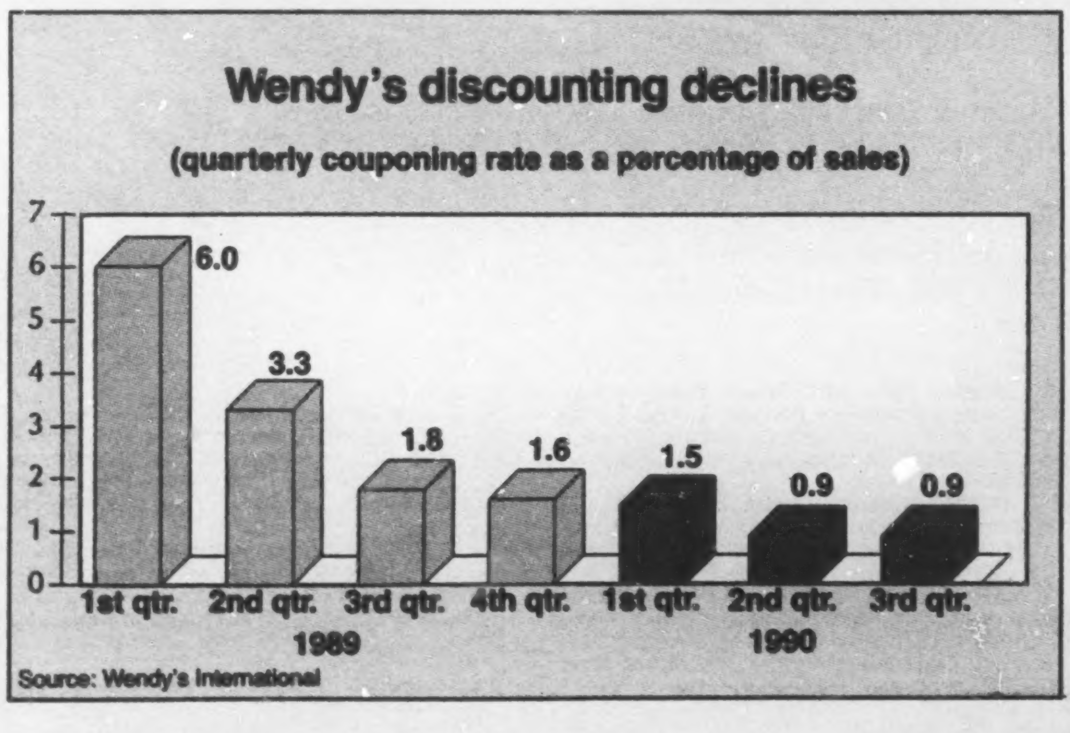
With a marketing budget that exceeds the combined advertising expenditures of its three closest rivals in the burger segment, McDonald's had been able to forgo much of the price cutting that other players have employed to counter slackening traffic.

"The smaller chain that doesn't have the marketing

*(See **COUPONING**, page 77)*

Wendy's discounting declines

(quarterly couponing rate as a percentage of sales)



Source: Wendy's International

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NEWS BRIEFS

Industry sales slightly outpace menu price hikes

WASHINGTON — Sales at eating and drinking places rose at an annual, unadjusted rate of 4.8 percent in October, eight-tenths of a percent higher than September's rate but 1.5 percent lower than August's, according to the Department of Commerce.

The Labor Department, meanwhile, found that menu prices rose 4.6 percent in October on a year-to-year unadjusted rate, just one-tenth of a percent higher than September's, according to the department's monthly consumer price index, the most important gauge of the nation's inflation rate.

When October's 4.8-percent sales gain at eating and drinking places is discounted against the 4.6-percent jump in menu prices, then restaurant traffic apparently rose a barely detectable two-tenths of a percent in October.

Meanwhile, food at home, or grocery store prices, rose 6.4 percent in October.

Popeyes licensee group files lawsuit against Copeland

NEW ORLEANS — The Independent Popeyes Franchisees Group, a group composed of more than 200 Popeyes Famous Fried Chicken franchisees nationwide, has filed a lawsuit against franchisor Al Copeland Enterprises Inc.

The complaint, filed in the Eastern District of Louisiana, alleges separate violations of federal and state anti-trust and trade regulation statutes — as well as common law claims. The franchisee group, formed last year to promote the strength and welfare of the Popeyes system, has been in negotiations with Copeland to resolve what it calls "wide differences presently separating the group members and the franchisor."

The group's action comes at a time when Copeland is struggling to restructure its huge debt load from last year's buyout of Church's to avoid Chapter 11 bankruptcy protection.

McDonald's tests low-fat hamburger

HARRISBURG, Pa. — Exploiting a breakthrough in meat-processing technology, McDonald's has launched a 54-unit test here of a new reduced-fat meat patty.

Called the Lean Deluxe, the new product has a 9-percent fat content, compared with a level of approximately 20 percent for a conventional burger of comparable size.

The fat has been replaced with a water-food additive mixture that gives the meat the same taste as a regular piece of ground beef, according to the Auburn University technologists who helped develop it.

The researchers said that their low-fat ground beef was further refined by McDonald's. They also said they expect the product to be adopted by other fast feeders and specified that government officials have been eying the meat for use in the national school lunch program.

Earlier this year, Hardee's introduced a low-fat burger called the Lean One. The sandwich has about 30 percent of the fat of a conventional Hardee's hamburger.

NY city council eyes labeling bill

NEW YORK — The New York City Council is considering a bill that would require each restaurant to offer either a highly detailed printed menu or one on the wall. Restaurateurs would also be required to post one outside their establishments.

The menus would have to list all drink and pitcher quantities as well.

The New York City Chapter of the New York State Restaurant Association blasted the bill as unnecessary, uncalled for and virtually impossible to implement. "This is legislation in search of a problem," president Fred Sampson said. "The dining public as a whole is not concerned over the exact type and quantity of spice used in every dish."

Sampson also noted that the bill's strict listing requirements would pose problems for restaurants that frequently change their menus and offer specials.

Top O'Toole's execs quit; Sisson named president

TORONTO — O'Toole's Group Inc., operator and franchisor of more than 100 O'Toole's Roadhouse restaurants, said founder, chief executive and president Gordon Metcalfe and executive vice president David Sisco have resigned.

Mother's Restaurants founder Grey Sisson has been named chief executive and president, succeeding Metcalfe, who founded the company in 1983. Sisson has been a member of the O'Toole's board and executive committee for three years.

Metcalfe, who, the company said, left to spend more time on new ventures with which he is involved, and Sisco also resigned as directors of the company. Metcalfe, Sisco and Ken Fowler Enterprises Ltd. have revamped their voting arrangements whereby Metcalfe and Sisco will now vote all shares they control in accordance with the direction of Ken Fowler Enterprises.

Laventhol & Horwath firm to disband

PHILADELPHIA — Laventhol & Horwath, an accounting and consulting firm that specializes in the hospitality industry, is seeking to disband in the face of hefty lawsuits by disgruntled clients, according to news reports.

A New York Times article said the firm was also planning to seek protection from creditors under Chapter 11 of the bankruptcy code.

The moves were reportedly plotted during a meeting in Houston of L & H's 350 partners.

L & H would neither confirm nor deny the news accounts.

"At this time we cannot comment on any business plans discussed at the meeting," Bob Levine, the firm's executive partner and chief executive, said in a prepared statement.

The nation's eighth-largest accounting firm has performed scores of hotel feasibility studies and audited the books of thousands of inns and restaurants.

Dissatisfied with some of that work, several clients, including evangelist Jim Bakker and the owners of the famed Biltmore hotel in Phoenix, have sued the firm.

Wyatt names new chairman, prexy

DALLAS — Paul Kopecky Sr. has been named chairman of the board and chief operating officer of Wyatt Cafeterias Inc. here, replacing H.L. Packer, who is retiring.

Kopecky, who is a 34-year veteran of Wyatt's, was formerly the company's executive vice president of operations.

In other moves, Mark Shackleford was named president of the company, filling the shoes of George DeShazo, who is also retiring. Shackleford, the former vice president of administration, will retain the title of chief financial officer.

"Two of us will essentially be doing the job that four of us were doing," Shackleford said. "Then we can use those funds for further expansion."

The announcement comes on the heels of the debut of the company's fifth concept, the self-serve Blue Ribbon Buffet, which opened this month in Houston.

Daka founder Vince retires as chairman

WAKEFIELD, Mass. — Terry Vince, the founder of Daka International, is retiring as chairman and chief executive officer of the company that oversees several hundred contract feeding accounts and the Fuddrucker's gourmet burger chain.

Vince, 62, who founded the company in 1973, will remain on Daka's board in the capacity of chairman emeritus. His vacancy will be filled by William H. Baumhauer, the current president of Daka International.

Allen Maxwell, the company's executive president, was named as Baumhauer's replacement.

Expansion plans in the works for chains

(Continued from page 1)

mit low bids on conversion and construction jobs to land the work.

All of that has tempted some companies to keep growing under the presumption of improved sales-to-investment ratios. Whereas the industry once regarded a ratio of 1.3 or 1.4 as outstanding, chains such as Shoney's are today realizing ratios of 1.75.

The sales-to-investment ratio for Wendy's, in contrast, is about 0.9, according to company figures. The franchisors have opened only 20 units this year, and the whole chain has expanded by less than 2 percent.

For some of the operators plotting aggressive growth, the rate of expansion may top their mid-1980s expansion rate.

For example, between 1984 and 1985 Shoney's opened 65 stores. In the coming year the company is looking to add 105 new units to the 734-unit chain.

Arby's growth plans call for 230 new stores over the course of next year, or 56 percent more units than the 147 outlets it opened between 1984 and 1985.

Its expansion plans are more ambitious than those of the industry's as a whole.

According to the Restaurant Consulting Group, Evanston, Ill., the entire industry is opening fewer units in 1990 than it did in each of the prior five years. After growing by 6.1 percent in 1985, the universe of restaurants is projected to grow by 0.9 percent in 1990, RCG's data show.

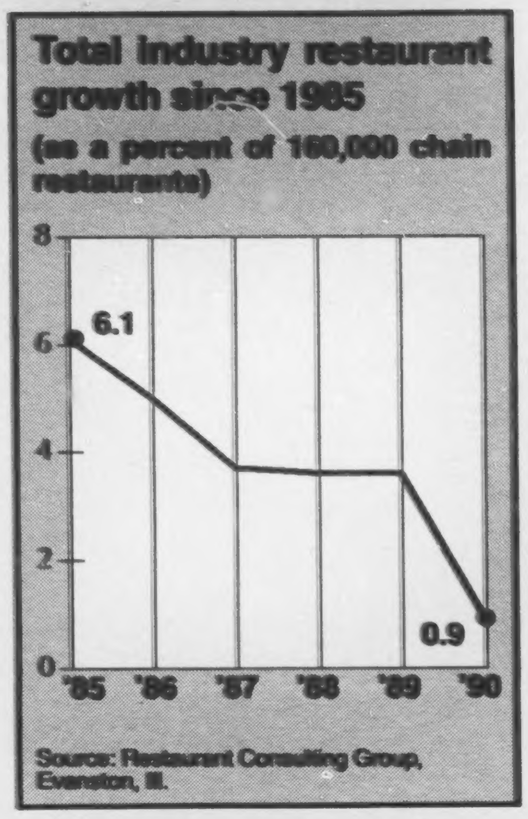
Last year the industry grew by 3.6 percent, according to the numbers.

The figures suggest that a shakeout is very much under way.

For the most part, the expanding companies are among the industry's healthiest concerns. Either they have rich parents who are willing to finance their drives, or they have labored quietly to reduce debt and expenses.

Total industry restaurant growth since 1985

(as a percent of 160,000 chain restaurants)



Source: Restaurant Consulting Group, Evanston, Ill.

Some of the fast-growth chains are planning to operate as well as develop new units. Others are seeking to expand largely through franchising.

Shoney's Inc., parent of the family restaurant chain of the same name, plans to do both. While opening company stores, it is waging one of the restaurant industry's most aggressive franchisee drives.

Taylor Henry, Shoney's chief financial officer, said the company prefers to use its own cash to finance its store growth and is way ahead of schedule on a debt retirement plan, having polished off $165 million of $240 million in long-term debt. It also has an untapped credit line of $145 million.

Michael Magusiak, chief financial officer of ShowBiz Pizza Time, which will add 21 units to the 270-unit chain over the next 18 months, said his company will also shun banks in favor of internally generated funds. Since breaking away from former parent Integra, the company has pared down more than $25 million in long-term debt to $12 million, and it is focusing on retiring another $6 million within a year.

Some who are expanding despite recession fears

Chain	1990 fiscal year-end chain size	1990 projected new unit growth	Percent change
Rally's	228	71	31%
Blimpie's	435	100	22
Ruby Tuesday's	140	27	19
Shoney's	734	105	14
Chili's	235	25	10
Applebee's	153	16	10
Arby's	2,270	230	10
Subway	5,000	500	10
ShowBiz Pizza	270	21	7

(Source: Company reports and NRN research)

Some operators argue that the typical span of a recession — about 1.5 to 2 years — is too short to justify the restriction of chain growth.

"You can't make a long-term spending decision on whether there's a recession or not," said Shoney's Henry. "A restaurant is a 20-year investment and will still be there long after the recession is gone."

In addition, some asserted that an economic downturn would not hamper their concepts.

Abe Gustin, president of Applebee's, the 150-unit casual-theme restaurant chain that prefers sites in residential neighborhoods, noted that the casual-theme segment is well suited to prosper during a recession.

"We can profit from a recession because in a recession people will be abandoning the high-dollar, big-ticket restaurants for high-quality places at a lower price point," Gustin said, noting that the company will add 12 restaurants during 1990, at a per-unit start-up cost between $700,000 and $1.3 million.

"At the same time, we are close enough to the fast-food industry in price point to give a family a high-quality alternative," Gustin continued.

The casual dining segment will expand at three times the rate of the whole restaurant industry in 1990, RCG noted. Excluded from its classification of casual are seafood and Italian dinner houses.

Showbiz's Magusiak, who noted that the chain's typical start-up cost is about $750,000, said ShowBiz's confidence in the Chuck E. Cheese chain brand is the underlying rationale for the chain expansion.

"I think it is really a question of how you are positioned in your market and if you feel good about where you are in the market," he said. "If you're in a good position, as we are, there's the chance to come out of a troubled economy even stronger."

Robert D. McClenaghan, president of the Ruby Tuesday division of Morrison Inc., agreed with Magusiak and others who asserted that a recession holds the possibility for companies to emerge as stronger competitors. But, he added, the opportunity has to be aggressively pursued.

"You can't argue with the theory that it's possible to come out of a recession in better shape," said McClenaghan, whose chain plans to add 27 units next year. "But given the shape of the economy right now, we're going to have to demand a better deal [with landlords and developers] in order to make the unit a viable return on investment.

"So while the buyer is contemplating working out a better deal, the seller, the landlord and the developers are not yet convinced that they are in a position that requires them to yield. I think it's going to take a little more time before it sinks in."

Christopher Volk, the vice president of the Franchise Finance Corp., a Phoenix-based group that specializes in finding long-term financing to develop restaurant properties, said in some ways the maturity of the industry, more so than recession, is prompting companies to keep their expansion going full steam.

"This is no longer a growth industry," Volk said. "Market share is extremely important, and the way to build and keep market share is to open stores."

But Herman Cain, president of Godfather's Pizza, said the recession and the industry's sluggishness should prompt small- to medium-sized companies to be extra careful.

"We have to be careful because in an industry that has both matured and now faces a slowdown, this a good time for the big guys to crush the small guys," he said. "But if you have a well-focused strategy, you should stick to it. This is not a time to panic or do anything radical."

Independents eye new equipment at NY show

(Continued from page 3)

numbers, and they are not good. But I think what has helped us and given us the confidence to open another place is our price point and our concept — we're just a basic, old-fashioned, Italian restaurant, where you can have a great dish of pasta and glass of wine for under $30.

"Now we want to try it in the suburbs," he added.

Another operator with even more ambitious plans was New Yorker Bill Bitting, who is developing a 20,000-square-foot, indoor golf-and-amusement center with a 110-seat full-service restaurant and other eating spots on the premises.

Bitting, who said he had several missions at the show — including enticing investors — said his $3 million complex, to be called the Park Avenue Country Club, is already under construction in Manhattan's Chelsea neighborhood and will be "the largest indoor golf facility in the world."

"Why build a $3 million complex like this in a time of recession?" Bitting asked rhetorically. "Because no matter what the economy is doing, people still like to be entertained. If you look at the Depression, that is when golf boomed.

"You think a place like the Hard Rock is going to know there's a recession going on? I think what it shows is that people want to be entertained."

Along with golf and restaurants, the Park Avenue Country Club will also feature a putt-putt course with Manhattan-themed traps and obstacles, golf simulators, a barber shop and shoe shine stands.

With plans a little less flashy than Bitting's but equally eager to expand operations was Hellmut Theil, the general manager of Lucille's, a continental restaurant in Thorndale, Pa., a Philadelphia suburb.

Theil said the company for which he works opened five restaurants in the past eight years and is working on the sixth.

> "You know, tough times just might be the best time to start your own business."
> — Holley

"What's happening in our market is that there are some good deals to be made with people who are getting out of the restaurant business," Theil explained. "Lucille's itself has been opened for a year and a half, and business is strong and can only get better when the bad times are over."

Robert A. Durkin, chef-owner of Karen N Lee, an 88-seat restaurant with a contemporary American menu in Bridgehampton, N.Y., was hoping to become the first operator to offer rotisserie chicken, in both takeout and full-service modes, to diners on eastern Long Island.

He said he wants to open a new restaurant early next year and was scouting through the aisles of exhibits for rotisserie equipment.

"We opened [Karen N Lee] in a soft market, and we did strong volume from day one," Durkin said. "But I like what I hear about rotisserie. What I want to do is open a local place with rotisserie that is up from fast food but down from upscale. So I'm here looking for the equipment."

Two sisters with more than 30 years in the catering business were also scanning the booths for items to help them launch their own restaurant.

"You know, tough times just might be the best time to start your own business," said Deborah Holley, noting that she and her sister intend to open a restaurant in Queens, N.Y., and name it after their mother, Pearl.

While the independent operators exhibited confidence over their ability to do business in a soft market, executives from some of the larger restaurant companies displayed a sense of caution at the show.

Steve Leipsner, president of Service America, the giant contract feeder based in Stamford, Conn., warned that the recession will force companies to improve their internal operations and focus on customer service rather than continuing to expand.

Although Service America is still eager to secure new clients, Leipsner said that what may be more important during a soft market is improving the business with the ones the company has.

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'Tis the season to be belt-tightening

Restaurants, caterers try to romance Scrooge consumers for holiday business

by Jack Hayes

A Grinch called recession is trying to steal Christmas from the nation's foodservice operators.

But rather than merely hope for miracles, restaurateurs and caterers from Miami to Seattle are working like Salvation Army Santa Clauses — boosting banquet staffs, widening party services and even freezing last year's prices — to put a little more joy into an otherwise-dismal holiday business season.

And retail-based operators who normally feed the December surge of street and mall shoppers are promoting midweek beverage and appetizer specials to spice traffic at a time when sales are supposed to be booming on their own.

"It's not as if the bottom dropped out, but business took a slow creep down in the last quarter," said Craig Weichmann, an analyst with Memphis, Tenn.-based Morgan Keegan.

Weichmann, who tracks retail as well as foodservice, said conservative holiday crowds haven't been a big help to operators on the eve of Christmas. The 120-unit Ruby Tuesday chain, owned by Morrison Inc., has been struggling with flat sales across its mall-based system all quarter long, he reported.

As a result, restaurateurs are turning aggressive.

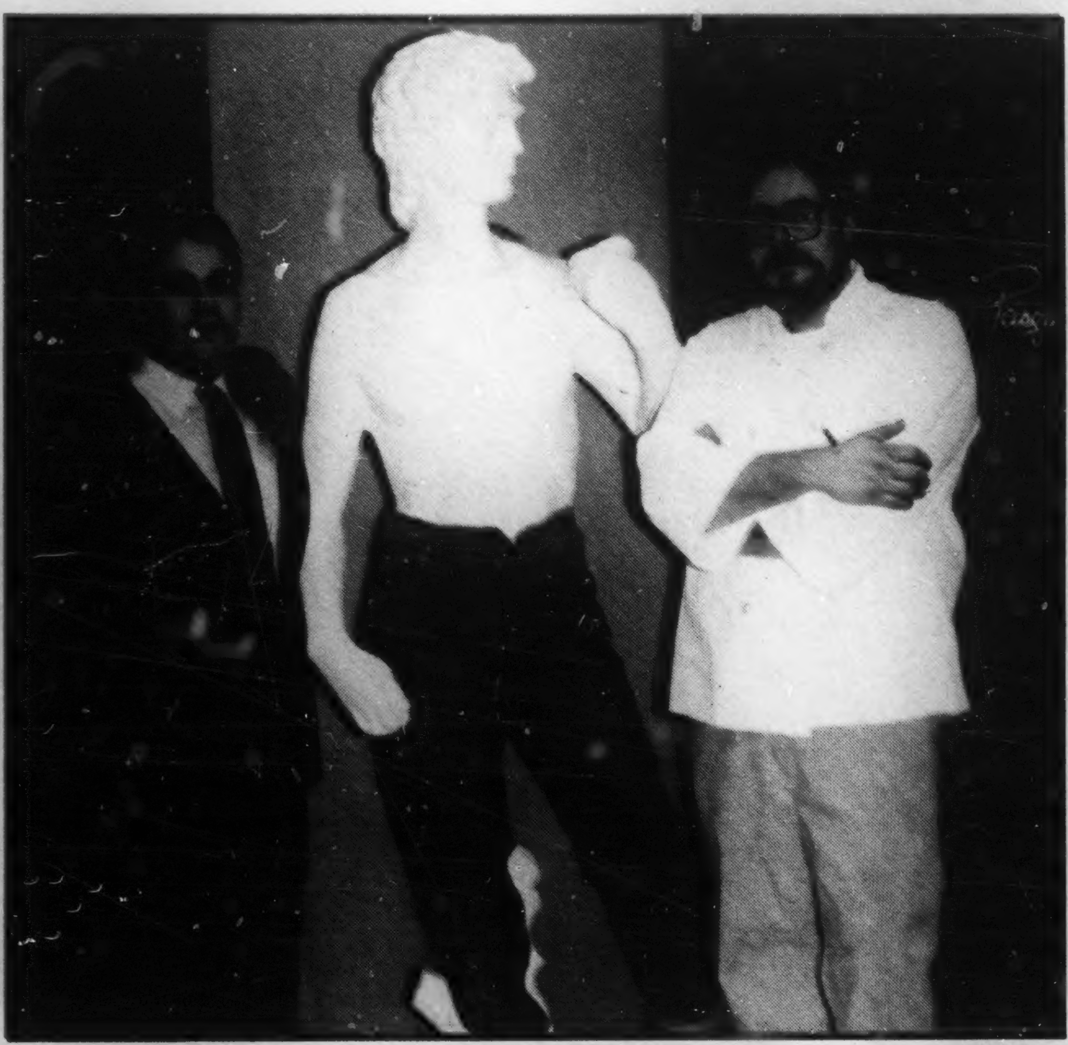
"The midweek mall crowds were disappointing after Thanksgiving," said Ken Merkel, general manager at Ruby Tuesday's Town Center store in Kennesaw, Ga. "We were down 7 to 8 percent through the end of November, so we began doing specials to bring up the numbers."

Corporate party budgets cut

But mall shoppers aren't the only Scrooges that operators have to face this holiday season.

Business managers in tiny offices across the country and

*(See **HOLIDAY**, page 4)*



NRN Photo

Marty Ferraro, left, general manager of Charley & Pasquale's, and Richard Hall, chef, flank the blue-jean-clad statue of David.

Wyatt tests Blue Ribbon all-you-can-eat concept

by Tracey Woodard

HOUSTON — Wyatt Cafeterias Inc. has added the Blue Ribbon Buffet, an all-you-can-eat, self-service restaurant, to its growing number of scaled-down, hybrid concepts.

Built in an existing Wyatt Cafeteria unit located here, the Blue Ribbon Buffet — a 250-seat operation with self-serve food stations and home-style food — joins Mrs. Wyatt's and Wyatt's Express as the company seeks new ways to continue expansion under a heavy debt load.

"We're a highly leveraged company," said Mark Shackelford, the new president of Wyatt. "It's difficult to find the capital to build a $2.5 million cafeteria. So we're trying to invest in areas where we can increase idle capacities."

BLUE RIBBON
BUFFET
Wyatt's

The concept represents a lower expenditure for Wyatt because the kitchen is much smaller than that of a Wyatt's Cafeteria and the company plans to convert existing restaurant buildings, including underperforming Wyatt units, rather than building from scratch.

Plans call for the new units to be roughly the same size as an average Wyatt's Cafeteria. But the Blue Ribbon differs from the cafeteria in that there are about two-thirds fewer menu items and customers serve themselves at various islands placed just beyond the

*(See **WYATT**, page 57)*

Charley & Pasquale's: Italian-American with sense of humor

by Carolyn Walkup

CHICAGO — Like the rest of the country, Chicago can't seem to get its fill of new Italian restaurants. Now the owners of a brand-new one, Charley & Pasquale's, have added a twist — combining the best of both Italy and America.

Diners get their first hint of the concept at the entrance, which is flanked by a replica of the famous Florentine statue of David, who is wearing a pair of jeans instead of nothing at all. Some clever interior artwork extends the theme by combining the Roman Coliseum with Comiskey Park, home of the Chicago White Sox, and by juxtaposing a Venetian gondolier with the Chicago skyline.

The menu is divided into Charley's choices and Pasquale's choices. The fictional Charley prefers gumbo while Pasquale likes minestrone; Charley touts barbecued ribs and steaks, but Pasquale likes eggplant Parmigiana and a Sicilian-style veal chop.

"Italian and American food

*(See **CHARLEY**, page 56)*

INSIDE

Popeyes-Church's lesson
Charles Bernstein/Page 23

Are Italian dinner houses recession proof?
Focus/Page 29

Westin increases pour; moves to premium well
Hochstein/Page 42

Pasta Fresca: The next best thing to homemade?

by Peter O. Keegan

SHREWSBURY, N.J. — Pasta Fresca, a retail operation that sells homemade ready-to-cook pasta, has premiered offering health- and price-conscious consumers a new alternative to pasta at restaurants, take-out operations and supermarkets.

"You can come in and pick up some fresh pasta, your choice of sauce and some bread," said co-owner Michael Aufiero, who owns and franchises a trattoria concept in central New Jersey. "All you have to do is go home and boil the water."

On a daily basis Pasta Fresca — which means "fresh pasta" in Italian — features a dozen types of plain and infused pastas, eight to 10 kinds of homemade ravioli, two to five sauces and a half-dozen freshly baked breads. The prototype unit also offers a line of imported hard cheeses, signature oils and vinegars, herbs and spices and proprietary bottled water.

After 10 years in the industry, Aufiero wanted to free himself from the service end of the

*(See **PASTA**, page 56)*

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NEWS BRIEFS

New MCA owner to spin off Yosemite Concessions

by Alan Liddle

YOSEMITE NATIONAL PARK, Calif. — Matsushita Industrial Electric Co., the giant Japanese conglomerate that recently agreed to buy MCA Inc. of Universal City, Calif., said it will sell MCA's controversial Yosemite Park & Curry Co. concessions subsidiary to an American buyer within a year.

Matsushita and MCA officials said they decided to sell the concessions company "to be responsive to environmental and other concerns which have been raised."

Pending a sale, which it expects to complete within 12 months, Matsushita said it will put the concessionaire's stock in escrow and donate all its profits to the National Park Foundation. Neither Matsushita nor MCA officials were available for comment about how much might be donated to the fund, but the Los Angeles Times quoted one high-ranking National Park Service official as describing the concessionaire's annual profits as "multiple millions [of dollars]."

Matsushita and MCA had been urged to sell the concessions company to an American group by National Park Service officials and others who didn't want the concessions contract for a national park to fall into foreign hands.

Environmentalists have complained for some time that the park is overdeveloped with commercial enterprises, which they say are directly and indirectly damaging Yosemite's environment. They have also objected to what they characterize as a "sweetheart" deal between the National Park Service and the Yosemite Park & Curry Co., which pays the government a fee of three-fourths of 1 percent of its gross revenues.

The Yosemite Restoration Trust, which has been critical of the park's concessions arrangement, has indicated that it will be among the bidders for the concessions company.

Among other things, Yosemite Park & Curry Co. operates two cafeterias, three full-service restaurants, assorted deli and fast-food outlets, 12 lodging facilities, including the world-famous Awahnee Hotel and Yosemite Lodge, the Badger Pass ski area, 22 gift and specialty shops and a number of tour groups.

Matsushita, which reported worldwide revenues of $37.8 billion for the year ended in March, late last month agreed to pay MCA shareholders $6.13 billion in cash and give them stock in an MCA subsidiary that owns a television station.

In addition to the Yosemite concessions company, MCA also owns Universal Pictures, Universal Studios in Universal City and its sister theme park in Florida. MCA is also active in the music and publishing industries.

USDA predicts slight slowdown in food-price inflation for '91

WASHINGTON — The U.S. Department of Agriculture forecasted a 2 percent to 5 percent rise in consumer food prices for 1991, compared with the 6 percent projection for 1990.

The U.S.D.A. cited record meat supplies, higher dairy output and the probability of larger citrus crops as reasons for the moderation in food price inflation.

James R. Donald, chairman of the U.S.D.A.'s World Agricultural Outlook Board, added that food marketing costs will rise at a slower rate if overall inflation eases to a level of 4.5 percent.

Rally's names Sugarman CEO, Albritton president

LOUISVILLE, Ky. — Rally's Inc. has elected Hollywood producer Burt Sugarman as chief executive and Wayne Albritton as president and chief operating officer.

Sugarman, chairman of the company's largest shareholder and head of the executive committee, and Albritton, one of the 255-unit double drive-thru chain's founders, assume posts relinquished by Richard Sherman, who remains chairman. Sugarman, chairman of Beverly Hills, Calif.-based Giant Group Ltd., won control of Rally's following a bitter shareholder struggle last year.

Sherman, who has been at Rally's helm for more than three years, said he requested the changes so he could spend more time with his family and with other personal interests.

Albritton now will be responsible for day-to-day operations while Sugarman, who will remain in California, and Sherman will assist the management team in "our various areas of expertise," Sherman said.

The company also named Jack Roschman, founder of the Ponderosa steak-house chain and father of Snapps Drive-Thru founders Jeffrey Roschman and Robert Roschman, to the Rally's board. Rally's recently agreed to purchase the Snapps chain over a period of time and signed the Roschman brothers to a Rally's franchise development pact.

S&A shutters regional offices

DALLAS — S&A Restaurant Corp., operators of the Steak & Ale and Bennigan's restaurant chains, will close nine regional offices in a move designed to force field managers to become more attuned to customers by putting their offices in restaurants.

"This has nothing to do with the economy or sales," said Peter Williams, human resources vice president. "We want the regionals to be focused on the guests in the restaurant and before they were just distracted, having to maintain an office and a secretary. We want the regionals in the restaurant now."

Williams said about 20 employees will be affected by the closings. Some will be offered other jobs in the company.

Atlanta Shoney's franchisee sued for discrimination

ATLANTA — Atlanta Family Restaurants, a 47-unit Shoney's franchisee, has been hit with a federal discrimination suit alleging the operation does not hire blacks for dining room positions, denies them promotions and secretly codes job applications to identify minorities.

The suit was filed in the U.S. District Court in Atlanta by Nancy Hamp, who charges that she was denied a waitress position because she was black. It charges Atlanta Family Restaurants as having "a continuing racist policy in recruiting and hiring blacks."

Attorneys for Atlanta Family Restaurants declined to comment on the case.

The plaintiff's attorney claims to have affidavits from former Shoney's supervisors who were told by management that the dining room was "too dark."

The action is the latest in a series of discrimination charges to be leveled at the Nashville, Tenn.-based chain. Last year, Shoney's Inc. signed a $90 million affirmative action pact.

Acapulco names Larner VP, CFO

LONG BEACH, Calif. — Acapulco Restaurants has hired John Larner, a six-year veteran of Taco Bell, to be the California chain's vice president and chief financial officer.

His arrival at the 50-unit Mexican dinner-house operator follows the appointment of its president, Philip Ratner, as executive vice president of West Coast operations for Acapulco's New York-based parent company, Restaurant Associates, a Kyotaru Co. subsidiary.

Larner, Taco Bell's former senior operations-services director, also was accounting director there and at Burger Chef. Immediately before joining Acapulco he was the controller of Knott's Berry Farm, a Buena Park, Calif., theme park. He succeeds Acapulco's former finance vice president, Leonard Dryer, who joined the Marie Callender's chain five months ago.

FOOD

Restaurateurs still have a 'steak' in beef lovers

CURRENTS IN CUISINE
FLORENCE FABRICANT

Despite concerns about fat and cholesterol, the operation that does not have a steak on its menu remains, shall we say, rare. Even the new Lexington Avenue Grill in New York's Summit Hotel, meant to be a place for seafood, has a 16-ounce steak for carnivores in the audience.

But increasingly, except in classic steak houses, it's not just a plain, thick New York cut like that. It's being featured with stylish additions. Vegetable garnishes of all sorts, including the classic frites, are being served. Flavored butters still adorn some steaks, especially outside New York, but assorted vinaigrettes are beginning to show up more and more.

In New York the "hanger steak" is suddenly popular. This is the fibrous but tasty cut, one to a steer, that the butchers are supposed to have saved for themselves. Butcher's tender or butcher's tenderloin is another name for it. In French it's *onglet*, a popular bistro item.

The hanger steak is served at Chez Louis and at the new Chef's and Cuisinier's Club, among others. It takes some getting used to, but as long as the price can be kept moderate, it is likely to acquire a following. On the other hand, if popularity creates a shortage, driving the price up, it may fade as a fad.

The other darling of the bistro, the tasty but sometimes fatty *entrecote*, is done with particular care with a garnish of marrow at the Sign of the Dove in New York, where a new à la carte menu is in effect. American Bistro in King's Park, N.Y., has a grilled rib steak with green peppercorn sauce.

At the Palm Grill in Key West the main courses range from a pizza to grilled prime rib, a rib steak, with mushrooms. Those operations are among few that actually deliver the rib-eye cut. For example, at the now defunct 1022 the promised entrecote was the basic boneless shell steak.

Bistro-style steak-pommes-frites prepared with the more familiar New York cut is served at Ma Maison in Los Angeles for lunch, Jacqui's, formerly Jacqueline's, and at Quartorze in New York.

The Spanish Eldorado Petit has filet steak with garlic and sirloin with wild mushrooms, two of four meat dishes. The Black Angus shell steak at the Union Square Cafe in New York is smoked before it is grilled.

Michael's Waterside in Santa Barbara, Calif., serves stake with smoky bacon and mushrooms and also offers filet of beef with Roquefort and morels on a list of only seven main dishes. Devil Mountain Brewery Restaurant in Walnut Creek, Calif., presents its New York cut sirloin with "Devil Mt." brew butter.

Tourelle in Lafayette, Calif., plays it straight with a grilled New York sirloin with bordelaise butter, and Ernie's in San Francisco offers a garlic vinaigrette and assorted fried vegetables. At Bistro in Bedford Village, N.Y., New York's classic pepper steak is made with the shell, as is the 8-ounce steak served with a jalapeño bearnaise at Backstreet Cafe in Houston.

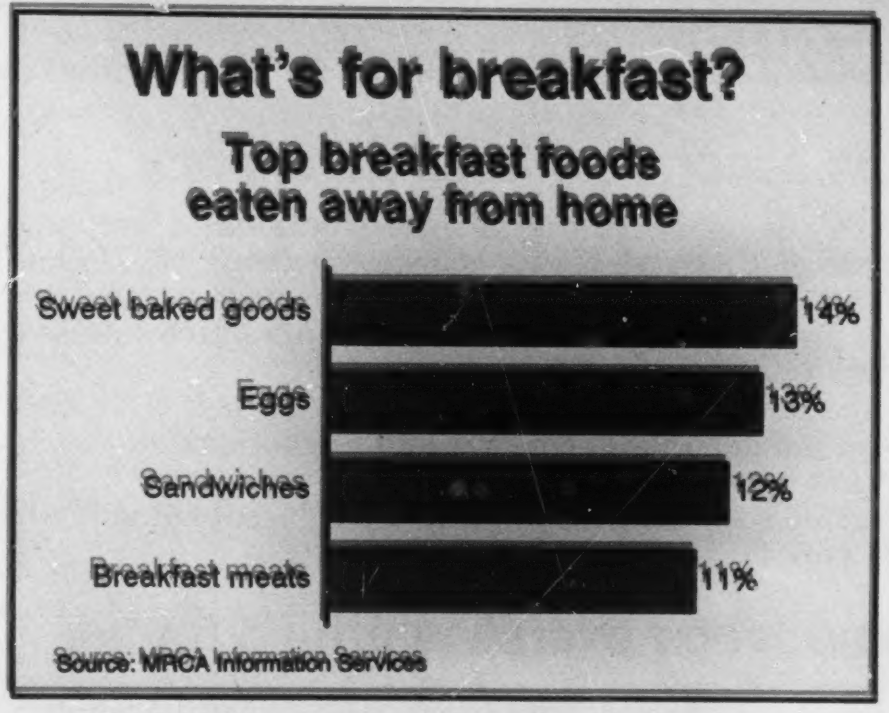
Steak comes with Zinfandel and a roasted shallot sauce at Cafe Provençal in Evanston, Ill. At Carlucci in Chicago the grilled porterhouse steak becomes a "bistecca alla fiorentina" with rosemary and sage. The Swiss Grand's new Land of Plenty operation in Chicago serves a Delmonico cut of Brae Beef with root vegetable chips.

Grilled tenderloin is another popular option. At the Trellis in Williamsburg, Va., it is complemented with crispy potatoes and the chef's steak sauce. Square One in San Francisco does it with a sauce of Armagnac, raisins and black pepper. Occasionally this operation features flank steak with an avocado salsa.

Filet of beef is dressed with new Mexico red chilies and roasted garlic cream at Robert Del Grande's Cafe Annie in Houston. Melange in Chicago has a filet with fried onions and vegetable sauce.

At Gaia Cafe in New York's Greenwich Village, it comes with a tarragon sauce, and at the Hudson River Club in downtown Manhattan it's served in an artichoke with a shallot and balsamic vinegar reduction. The grilled fillet steak is served with artichokes and tarragon at the American Restaurant in Kansas City. Even at Restaurant Lafayette, Jean Georges Vongerichten includes beef tenderloin filled with marrow and served with chick pea fries and chive oil on the new fall menu.

FOOD NEWS DIGEST



Source: MRCA Information Services

Sweet baked goods top away-from-home breakfast list

STAMFORD, Conn. — Sweet baked goods top the list of breakfast foods eaten away from home, according to a survey conducted by MRCA Information Services, based here.

Baked items, such as doughnuts, sweet rolls and pastries, accounted for 14 percent of all breakfast foods eaten out. Eggs — with a 13 percent share — were the next most popular foods, while sandwiches and breakfast meats came in third and fourth, at 12 percent and 11 percent, respectively.

By comparison, the top foods consumed at home were ready-to-eat cereal (22 percent), loaf bread (19 percent), eggs (10 percent) and fruit (10 percent).

It's not surprising that coffee, with a 55-percent share, is the favorite breakfast beverage consumed away from home. Juice is next, at 19 percent.

Rosemarie's struts its stuff at James Beard House luncheon

NEW YORK — Chef James Bergin of Rosemarie's in Manhattan executed his culinary skills at the James Beard House here as part of an ongoing Italian luncheon series.

The lunch began with hors d'oeuvres of Parmesan shortbreads with sun-dried tomatoes and *crab bignes*. To warm up the guests, Bergin created a butternut squash soup with Gorgonzola cheese and walnuts, followed by cavatelli with broccoli and pancetta.

The luncheon's featured entrée was roasted tuna with Sicilian couscous, and a dessert of pear poached in wine and saffron polenta cake with pistachios rounded out the meal.

Eddie's offers new menu items, complete with scissors

PHOENIX — Eddie Matney and Larry Cohn, owners of Eddie's Grill here, has rolled out two new menu items, including one that comes with a pair of scissors to keep.

When patrons order the baked onion soup, they receive a pair of brightly colored miniature scissors to snip the Mozzarella.

The "soup-n-scissors" package costs $3.95 at lunch and dinner.

Also added to the menu is the pastrami and Bass Ale sandwich, which features thin slices of ale-marinated pastrami on toasted rye with a shot of Bass for "dipping or sipping." The sandwich costs $7.95 at lunch and dinner and comes with homemade potato chips and coleslaw.

The restaurant, renamed and redefined in September, was formerly known as KousKooz. The menu features a variety of "Ameriterranean" and American dishes.

Anderson unveils Scandinavian holiday menu at Midland hotel

CHICAGO — The Midland Hotel's new executive chef, Eric Andersen, is adding Scandinavian specialties to the predominantly American menu at the hotel's Exchange Restaurant.

Among the specials are mussel soup with saffron, salmon Gustaf, Norwegian gravlax, Danish seafood soup, Scandinavian oysters, sweet potato pancakes, Scandinavian scallop potatoes and Norwegian raspberry parfait.

"Scandinavian cooking is basically a light cuisine, high in protein and low in fat, and fits exceptionally well into the current emphasis on 'healthy' eating," Andersen says.

China Grill rolls out casual dim sum brunch

NEW YORK — China Grill, the 3-year-old East-West fusion restaurant in the CBS headquarters here, has introduced a dim sum brunch.

Guests will choose from items placed on a cart that is rolled through the dining room.

The selection, developed by chef Peter Klein, includes Napa vegetable rolls, tempura goat cheese, Szechuan chips, grilled beef satay, steamed barbecue buns, pan-fried Chinese dumplings, spicy shrimp with sesame citrus noodles, barbecued salmon with Chinese mustard, stir-fried duck with steamed pancakes and Szechuan sliced beef.

All dishes are priced at either $4, $6 or $8.

WHAT'S HOT IN

ORANGE COUNTY, CALIF.

Amici Trattoria

3220 Park Center Drive, Costa Mesa, (714) 850-9399. Seats: 75 plus 50-seat patio. Cuisine: Italian. Specialties: mixed grill of fish and vegetables; osso buco; linguine with seafood. Entree price range: $9.95-$16. Chef-owner: Massimo Navarretta.

Bistro 201

18201 Von Karman Ave., Irvine, (714) 553-9201. Seats: 225. Cuisine: eclectic. Specialties: warm duck liver flan with sour cherry confit and walnut toast; rosemary roasted seabass with mashed potatoes and fennel slaw. Entree price range: $12.95-$18.50. Owner: David Wilhelm. Chef: John Sharpe.

Cafe Zoolu

860 Glenneyre St., Laguna Beach, (714) 494-6825. Seats: 33. Cuisine: eclectic, healthful. Specialties: cioppino with Vietnamese *nuocmam* fish sauce; Thai stir-fried chicken with garlic and lemon grass. Entree price range: $7-$14. Owners: Jeri Kissler-Painter, Lonnie Painter. Chef: Lonnie Painter.

The Rex

1141 Newport Center Drive, Newport Beach, (714) 644-4400. Seats: 165. Cuisine: seafood. Specialties: carpaccio of salmon, ahi and swordfish; foie gras in a daikon-Port sauce; sautéed abalone and pasta with wild mushrooms; sautéed baby opakapaka. Entrée price range: $20-$45. Owner: Rex Chandler. Chef: Eugenio Martignano.

Zeppa

327 Newport Center Drive, Newport Beach, (714) 640-0600. Seats: 92 plus 58-seat patio. Cuisine: contemporary Northern Italian. Specialties: duck confit salad; garlic gnocchi. Entree price range: $10-$22. Owners: Rick Harmon, Barry Hermanson, Mark Zigner. Chef: Craig Connole.

Compiled by Richard Martin

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Nation's Restaurant News®
THE NEWSWEEKLY OF THE FOODSERVICE INDUSTRY
SECOND CLASS

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Outlook for '91

In an in-depth look at the year ahead, Nation's Restaurant News takes a look at every foodservice segment from fast food and catering to schools and fine dining.
Forecast & Trends section begins on page 35.

Irving Riese dies at 71; built NYC restaurant empire

by Charles Bernstein

GREAT NECK, N.Y. — Irving Riese, a poverty-ridden Harlem youngster who became a dishwasher-soda jerk in his early teens and who with his younger brother, Murray, fashioned a $300 million-volume restaurant empire of almost every conceivable name-brand concept, died of a heart attack near his home here last month. To the end, he was a consummate master of the real estate-restaurant game.

The 71-year-old Riese had just completed a typical Saturday morning six-mile walk here with Murray and was on his way home when he collapsed. An ambulance rushed him to a hospital, where emergency medical personnel managed to revive him briefly but could not save him.

A semivegetarian and

*(See **IRVING**, page 141)*

Irving Riese, on the phone, as brother Murray looks on, in a photo from a decade ago.

Belatti stuns Arby's, quits as president

Chain's move to Miami triggers surprise resignation

by Jack Hayes

ATLANTA — In a sudden reversal that shocked his subordinates, Arby's president, Frank Belatti, has resigned rather than lead the company's move to the Miami Beach base of its corporate parent, Victor Posner-controlled DWG Corp.

Belatti, the man credited with nursing the 2,300-unit roast-beef sandwich chain out of turmoil a year ago, quit just before Christmas and only two weeks after declaring his full support for the Posner-ordered move.

His departure from the $1.3 billion chain, which has seen same-store sales flatten in recent months, leaves Arby's entering 1991 in a management vacuum and searching for its sixth president in less than a year and a half.

"The mood is down; it's like an old wound has reopened," said an insider at Arby's headquarters here after Belatti's resignation was announced.

Meanwhile, Posner is downplaying the loss of his chief operating officer.

"While I'm sorry to lose a man of Frank Belatti's talents, his decision was a personal one and in no way reflects the regard we hold for each other," said Posner in a prepared statement. "Our plans are already set for moving Arby's forward," he added.

Belatti, who would neither confirm nor deny reports that he is leaving to join a New York investment group with connections to former Reagan administration budget chief David Stockman, was somewhat apol-

*(See **BELATTI**, page 141)*

Frank Belatti

Regionals battle big boys with localized marketing

by Jack Hayes

Worn thin by a stingy economy, abandoned by fickle customers and bullied by the big-spending competition, regional restaurant chains are launching a survival counterattack that will stretch menus, hours, nerves and budgets to the limit in 1991.

Fearful of being run off their turf as McDonald's and others join such chain giants as Wendy's and Taco Bell in a continuing national price war, operators like 22-unit Fatburger in California, 50-unit Miami Subs in Florida and 40-unit Pudgie's in New York are writing a new set of rules for local marketing.

Maximizing their flexibility and unique niches while minimizing their spending, regional operators are deploying money-back meal guarantees, off-hour promotions, bold store logos and family dinner packages.

*(See **REGIONAL**, page 7)*

INSIDE

GOP no longer the Grand Old Party
Bernstein/Page 27

'91 won't be as bad as you think
Telberg/Page 30

Appetizers: Big checks, small plates
Fabricant/Page 11

Secondary smoke tied to waiter's heart disease

by Richard Martin

SAUSALITO, Calif. — In a workers compensation settlement that may prove precedent setting, "secondhand" tobacco smoke in an allegedly poorly ventilated Sausalito restaurant has been recognized as contributing to a 54-year-old waiter's heart disease.

The waiter, who underwent triple-bypass surgery after suffering a heart attack in the restaurant where he had worked for more than six years, accepted an insurance company's tentative offer to pay off his $85,000 medical bill and $9,500 disability claim on the eve of a Workman's Compensation Appeals Board trial in San Francisco.

Restaurant industry officials, prominent scientists, in-

*(See **WORKERS**, page 4)*

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Vol. 25, No. 1 January 7, 1991

NEWS BRIEFS

IRS seeks wider operator role in tip reporting

WASHINGTON — The Internal Revenue Service has advised the federal government to capture lost tax revenues by having restaurateurs verify that tips included in credit card charges are declared by wait staffers as income.

The IRS also advised that the tip-reporting law, which was foisted on the industry in 1982, should be expanded to include places with less than 10 employees that are currently exempted.

In addition, an IRS report calls for raising the tip-allocation threshold — the point at which a restaurateur must assign additional tip income to employees because their reported gratuities do not jive with sales figures — to 10 percent of revenues. Currently, an operator is mandated to allocate the additional income when employees' reported total intake falls below 8 percent of the restaurant's receipts.

The National Restaurant Association blasted the recommendation concerning charged tips as an attempt by the IRS to expand its use of operators as surveillance agents.

Feds try to seize hospitality union, cite Mafia control

ATLANTIC CITY, N.J. — Alleging that the hospitality workers' union here has been extorting money from local restaurants and bars, U.S. officials have asked a court for the go-ahead to seize control of the Hotel Employees & Restaurant Employees chapter.

In a civil suit filed in Trenton's Federal District Court, U.S. prosecutors charged that HERE Local 54 has been dominated by organized crime figures who have used murder and intimidation to exploit the 22,000-member union. The officials argued that the alleged mobsters have siphoned money from the chapter's benefits funds and used their connections to shake down eating places in the resort.

Prosecutors asked the court to wrest the union away from its current management and put the federal government in charge.

"It's a wholly unwarranted action without any basis in fact," Bernard Katz, an attorney for Local 54, said of the suit. "It's an attempt by a troubled attorney general's office to divert attention from some of the problems that have been plaguing our government."

Melman opens new Tex-Mex saloon

CHICAGO — The Original A-1 Border Beanery, Bail Bonds and One-Hour Perms is the latest restaurant brainstorm of Richard Melman and his Lettuce Entertain You Enterprises.

The 180-seat dining room and two bar areas resemble a run-down saloon on the Texas-Mexico border. The actual location is on the floor above the Baja Beach Club at the North Pier specialty mall here.

The menu features a combination of Mexican and Texan cuisine. On the Texas side there are a choice of fajitas; mesquite-grilled steaks, chicken, shrimp and fish of the day; barbecue; and chili. From south of the border, choices include enchiladas, burros, quesadillas, nachos and tamales.

Horn & Hardart to sell King's Table

WEEHAWKEN, N.J. — Horn & Hardart Co. will complete its withdrawal from the foodservice industry next March when it divests its 83-unit International King's Table chain.

The company said the sale would result in a "significant" fourth-quarter charge against earnings.

International King's Table operates buffet-style restaurants in five Western states.

H & H has been selling off elements of its formerly diverse restaurant empire for the past couple of years to concentrate on its mail order business.

NY Burger Kings cut burger prices

NEW YORK — A number of Burger King units here have responded to McDonald's recent price rollback by dropping the prices of their hamburgers to 49 cents, undercutting McDonald's bargain rate by a dime.

The sandwiches formerly sold for about $1.09 each.

The promotion was conceived and launched by local operators without input from Burger King's marketing department in Miami, a spokesman said.

McDonald's restaurants here recently slashed the prices of their hamburgers and cheeseburgers to 59 and 69 cents, respectively.

McDonald's names woman journalist to company board

OAK BROOK, Ill. — McDonald's Corp. has elected its first woman board member since 1970.

The new director, Terry Savage, is a Chicago television and newspaper financial journalist and author. She also is a registered investment adviser and was the first woman member of the Chicago Board Options Exchange.

In accepting the post, Savage agreed not to report on McDonald's, its competitors or any of its suppliers. Her superiors at the Chicago affiliate of CBS-TV said they have no problem with her appointment, but her editor at the Chicago Sun-Times raised concerns about possible conflict-of-interest issues.

Savage is the first woman to serve on the board since June Martino, founder Ray Kroc's secretary, served from 1960 to 1970. Before that, Ethel Kroc, Kroc's first wife, was a board member from 1956 to 1960.

Dunkin' Donuts inks Exxon as franchisee

MEMPHIS, Tenn. — Dunkin' Donuts has sealed an agreement with Exxon Co. USA that will put Dunkin' Donuts units in all 28 of the petroleum company's service stations here by mid-March.

Exxon said it plans to feature both self-service and "manned" modular units in the stations. Currently, Exxon has seven downsized Dunkin' units in service stations and one free-standing unit.

Laurent closes to reorganize

NEW YORK — Laurent, a 40-year-old Manhattan French classic restaurant, has shut its doors to reorganize, according to owner Laurent Losa.

He said that while he hopes the restaurant will remain closed only temporarily, the soaring costs of doing business in New York could force him to shutter Laurent permanently.

A Nation's Restaurant News Fine Dining Hall of Fame award winner, the 178-seat Laurent opened in 1951, building a reputation as one of New York's power lunch restaurants with its classic French cuisine.

Mazzio's Pizza helps deaf patrons phone in orders

TULSA, Okla. — In an effort to include the hearing-impaired among its home delivery customers, Mazzio's Pizza has installed a "Telecommunications Device for the Deaf," a message-typing apparatus that allows deaf people to use the telephone without the aid of a hearing adult.

The 262-unit operation based here is testing its TDD in its "one-number" delivery service in the Tulsa market. Customers equipped with the TDD in their homes can type their requests directly to the Mazzio's delivery number to get the order they want. The Mazzio's unit located closest to the address will deliver the food.

A Mazzio's spokesman estimated that there were approximately 45,000 hearing-impaired people in Tulsa County.

Hard Rock Cafe wins logo fight

LOS ANGELES — The Hard Rock Cafe has won an injunction prohibiting an art firm here from distributing a print depicting the logo of the casual-themed chain.

A federal district court here issued a temporary restraining order against Martin Lawrence Limited Editions Inc., forbidding it to sell a print called "Snowy Night Swing" — which shows a hot-air balloon with a Hard Rock logo on it. This past year Hard Rock has cracked down on bootleggers around the country who sell T-shirts, hats and items featuring the Hard Rock Logo.

Menus, marketing strategy boost General Mills profits

by Jack Hayes

ORLANDO, Fla. — Bolstering its U.S. dinner-house fleet with 19 new Red Lobsters and Olive Gardens and powering its menus with a strong head wind of value promotions and new lunch products, General Mills Restaurants Inc. sailed profitably on what had been a windless sea for much of the industry during its second quarter.

Despite flat average-unit sales in its Red Lobster chain, the restaurant division of Minneapolis-based General Mills reported that operating profits rose 16 percent, to $26.4 million, for the 13 weeks ended Nov. 25, on a 15-percent increase in sales, to $497.9 million.

The company overcame a sluggish quarter start, when Red Lobster traffic slumped, by restructuring its lunch menu and promoting lower-priced dinner specials. The strategy, including substituting some lunch menu items with lower-cost and lower-priced alternatives, paid off by allowing the company to tow the line on sales without raising menu prices.

During the first fiscal quarter, Red Lobster's average unit sales grew 4 percent.

"They saw some unbalance in August and early September and moved in with a king crab promotion, a new lunch menu and a raft of dinner specials," said analyst Nomi Ghez of Goldman Sachs, New York.

"They're right on top of things," she added. "This is a company that doesn't wait around until consumers make things happen."

"The key is good management," said analyst John Maxwell of Richmond, Va.-based Wheat First Securities, noting the recent promotion of the division's president, Joe Lee, by the parent company. Lee will become executive vice president of finance at General Mills' corporate headquarters in April and will succeed vice chairman F. Caleb Blodgett as chief financial officer when he retires on May 1, 1992.

Meanwhile, The Olive Garden continued to post strong results in the second quarter, with average unit sales up 3 percent. Fourteen units were opened in the United States during the quarter, and a total of 50 new restaurants are planned for the year, said General Mills spokeswoman Ann Powell.

The restaurant division — which owns and operates about 580 Red Lobsters and 239 Olive Gardens and is testing another dinner-house concept, China Coast — also added five new Red Lobsters during the quarter. Thirty-eight new seafood dinner houses will have opened by the end of the fiscal year, Powell said.

"The industry is adjusting," Lee said. "Marginal operators who were just holding on are closing. This is a movement that will benefit the strong."

Through the first six months, restaurant division operating profits increased 15 percent, to $79.9 million, on a 17-percent jump in sales, to $1.1 billion.

General Mills chalked up a 34-percent leap in operating profits, to $223.6 million, for the quarter, on a 13-percent rise in sales, to $1.8 billion. General Mills' total six-month operating profits rose 25 percent, to $449.8 million, on a 14-percent increase in sales, to $3.6 billion.

Nov. industry sales hit 3-month high

WASHINGTON — Sales growth at the nation's eating and drinking places rose at a 4.5-percent year-to-year rate in November, the fastest in three months, according to the government's broadest and earliest gauge of retail activity.

But at the same time menu price inflation remained steady, at 4.6 percent, suggesting that traffic declined by one-tenth of 1 percent in November from the year-ago month.

Margins, nevertheless, may have found some minor relief in November as wholesale food costs marked a third month of year-to-year declines.

The Commerce Department reported that the 4.5-percent year-to-year sales gain followed a 3.3-percent rate in October and a 3.4-percent pace in September. The figure is not adjusted for seasonal and trading-day differences.

The Department of Labor said the Consumer Price Index for food away from home, which measures menu prices, continued at a 4.6-percent clip in November and October as overall inflation gained 6.4 percent.

Analysts said the advance was surprisingly modest given oil price hikes stemming from the Persian Gulf crisis.

Meanwhile, the Labor Department's Producer Price Index for Finished Consumer Foods, a barometer of ingredient costs, rose at a 4.2-percent rate in November, a slowdown from the 4.3-percent pace in October and the 4.7-percent advance in September.

Dairy product prices fell 4.3 percent, cheese prices lost 10 percent and processed young chicken prices eased 3.9 percent, the department said. Pork was one of the few food products to rise, up 16 percent.

FOOD PRICE OUTLOOK

Hog supplies up; pork prices down

by Patt Patterson

You still couldn't call pork a great bargain, but recently the prices have dropped as shipments of fattened hogs to market have increased. U.S. Department of Agriculture surveys show an increased number of hogs on farms but not quite as many as last year at this time. Bad weather in the Midwest could hold up farmers' shipments to slaughterhouses, but overall prices should continue to moderate through January.

Lamb supplies have increased by more than 5 percent over last year's at the same time. There has been some downward movement of prices, but increased demand has slowed reductions. Stocks are about 25 percent ahead of last year's.

Coffee prices may be headed up, although most roasters have adequate supplies for the heavy winter usage period. Brazil's exports have not been so heavy as expected, and there may be a longshoremen's strike in Colombia. Price increases from such factors take quite a while to work through the supply chain, however, so roasted coffee prices should remain fairly stable until spring.

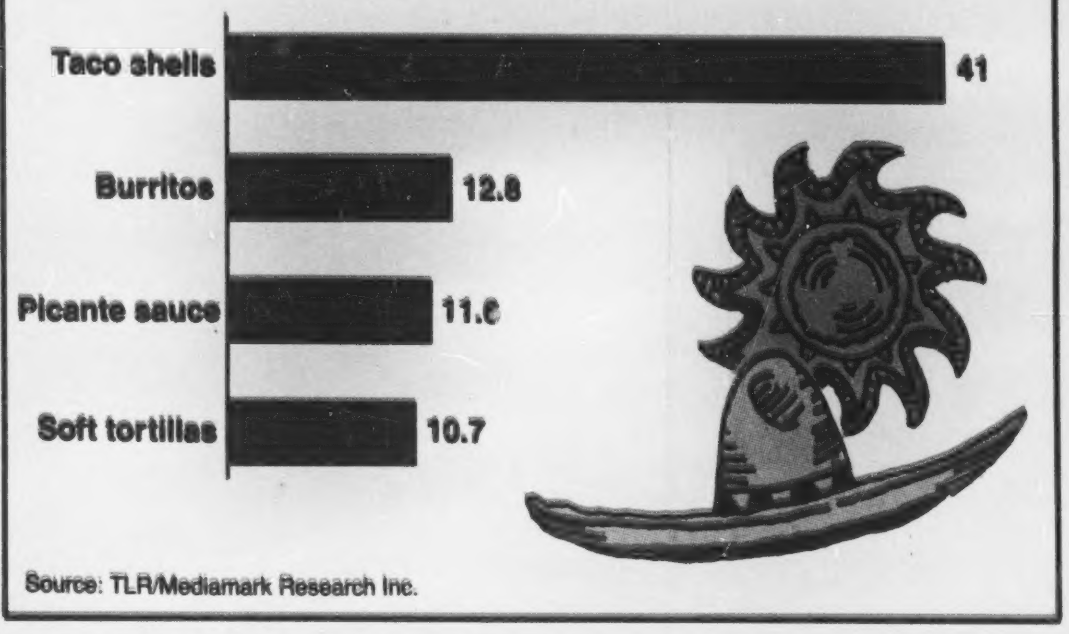
Desert Shield is boosting prices on some commodities. Canned corn is already moving up in price, with canned green beans expected to react soon. Other vegetables and fruits will probably be affected as the troops continue to stay in Saudi Arabia.

Overall, demand for fish and other seafood continues to increase, but supplies are down from last year's. That condition will continue to exert upward pressure on prices into the new year. For many species, such as cod, there doesn't seem to be any prospect for increased supply in the near future. An increasing number of firms are looking into aquaculture, but the number of species for which farming has proved practical is limited.

FACT FILE

Olę! Mexican food invades the home

The growing market for Mexican food shows about 33.5 million homemakers serving it — up nearly 20 percent from 1985. Forty-one percent of housemakers are using some kind of Mexican food. Topping the list of served foods are, in percentages:



Source: TLR/Mediamark Research Inc.

FINANCIAL DIGEST

Bob Evans' net rises 8 percent

COLUMBUS, Ohio — Bob Evans Farms, a family restaurant operation based here, said net income increased 8 percent, to $7 million, for the second quarter ended Oct. 26.

Bob Evans, which noted there were 20 more restaurants in the system than in the prior quarter, said systemwide sales for the 247-unit chain rose 11 percent, to $91.3 million.

For the six-month period net income was also up 8 percent, to $16.5 million, while sales jumped 11 percent, to $181.2 million.

National Convenience sells 29

HOUSTON — National Convenience stores has signed a letter of intent to sell 29 Stop N Go units in West Palm Beach, Fla., to British Petroleum. Terms of the deal were not disclosed.

V.H. Van Horn, president and chief executive officer, said the transaction supports the company's plan to exit from tough markets.

"This sale represents another step toward our strategic objective of focusing our asset base by building major positions in certain markets and withdrawing from other markets where we are less important," he said. "The proceeds will be used to reduce bank debt."

Ark Restaurants reverses loss

NEW YORK — Ark Restaurants, an operator and manager of 21 one-of-a-kind restaurants in Manhattan, Boston and Washington, reversed a loss of $44,000 last year to report a profit of $753,000 for the year ended Sept. 29.

Revenue rose 15 percent, to $47.9 million.

For the fourth quarter, the company's loss narrowed to $83,000, down from a $450,000 year-ago deficit.

The company attributed the losses to the closing of the Big Kahuna and the site's subsequent conversion into K Paul's New York.

"This is a decent result in what is a deteriorating environment for the restaurant industry," said Michael Weinstein, president of Ark. "We continue to be aggressive in lowering the structured costs of doing business. Meanwhile, we continue to be adversely affected by increased taxation on alcoholic beverages and an increased minimum wage. These costs cannot be passed through at a time when demand is tough."

Site sales help Perkins profits

MEMPHIS, Tenn. — Perkins Family Restaurants' third-quarter net income jumped 10 percent, to $5 million, on a 4-percent gain in revenue, to $46.8 million, for the period ended Sept. 30.

About $500,000 of the profit improvement was attributable to site sales and other property transactions, the company said.

For the nine-month period, net income jumped 16 percent, to $11.3 million, while revenues rose to $132.7 million. Same-store sales for the quarter gained eight-tenths of a percent. For the nine-month period, store sales rose 3.4 percent. Don Smith, chairman and chief executive officer, said the slim same-store sales growth reflected consumer uncertainty about the economy.

"Management's emphasis on cost controls helped us achieve this higher margin even though same-store sales were up eight-tenths of a percent due to the uncertain economy and its adverse impact on consumer spending," Smith said. "We look forward to continued success in the fourth quarter, when at least 10 new franchised restaurants will open."

At the end of the quarter, Perkins operated a 389-unit chain, of which 275 were franchised.

Overview

Key to winning patrons: Value, value, value

by Peter Romeo

Despite expectations of a slight sales improvement for the foodservice industry as a whole, forecasters warn that individual operators will have to struggle fiercely in 1991 merely to match last year's traffic levels, especially if war erupts.

"For individual companies real sales will probably be down by one to five percentage points," said Ron Paul, president of Technomic Inc., which drafts an annual foodservice sales forecast for the International Foodservice Manufacturers Association. "There will just be so many more people out there competing for what moderate growth [opportunities] will be available in a weak economy."

The bleak situation, experts agreed, will force many restaurateurs to sacrifice a portion of their profit margins. They expect economic hardship to hone consumers' desire for value, driving fast feeders and full-service places alike to pack their menus with bargain-priced customer lures.

Indeed, the National Restaurant Association foresees a proliferation of "frequent guest" discount promotions patterned after the frequent flyer promotions most airlines use.

At the same time, "to satisfy value-driven consumers, it will be necessary to meet or exceed their service expectations," the NRA noted in its 1991 sales forecast.

"Operators won't necessarily hire more people, but the smart ones will maintain their current labor force and train them better," said Malcolm M. Knapp, the New York researcher and consultant who compiled the data for the NRA's report. "There'll be no savings there."

Given that set of circumstances, "you're going to have to give up some margin," especially if you compete in the fast-food sector, Knapp said. "The number of transactions will have to go up."

By all accounts, economic conditions will make that task a Herculean one. According to Blue Chip Economic Indicators, a consensus of more than 50 economists, the recession that began in the last quarter of 1990 will conclude by April, yielding a scant 0.8-percent rise in the gross national product for the full year. That compares with a projected 1-percent rise for 1990.

Meanwhile, consumer confidence in the economy has ebbed to its lowest level since the bruising recession of 1982. Fearing a further decline in their earning power, Americans are reluctant to spend money today that they could direly need tomorrow to pay for such necessities as housing.

As a result, the NRA is forecasting a 0.6-percent inflation-adjusted rise in total foodservice sales, compared with last year's 0.3-percent increase. With menu prices projected to advance by 4.6 percent, the NRA's prediction translates into a nominal 1991 sales increase of 5.2 percent, or $12.3 billion, which would yield a record industrywide intake of $248.13 billion.

IFMA is more optimistic in its outlook, with Technomic's data calling for a 1.3-percent climb in real sales, to $261.28 billion, following last year's 1.1-percent rise.

"People ask us how we can forecast an improvement in sales when so many people are doing poorly," Paul said. "We remind them that the figure is for the industry as a whole; it's a much different situation for individual companies. Very few of them will see real sales growth."

The NRA and IFMA agreed that the outlook for 1991 would darken dramatically if a war commenced in the Middle East.

"All bets would be off," said Susan Mills, the NRA's research director. "It would make a lot of people nervous because of the uncertainties. Any kind of unsure situation will make consumers even more afraid to spend money."

"It would be another reason for people to cut back," Paul added. In addition, "there would be a spike in the inflation rate, which is always bad for this industry."

> "Operators won't necessarily hire more people, but the smart ones will maintain their current labor force and train them better."
> — Knapp

FOODSERVICE INDUSTRY FORECAST

	Sales in billions of dollars		% of change	
	1991	1990	nominal	real
Eating places				
Restaurants, lunchrooms	$ 79.42	$ 75.93	4.6%	0.0
Fast-food outlets	74.13	69.81	6.2	1.5
Commercial cafeterias	4.61	4.37	5.3	0.7
Social caterers	2.42	2.24	8.1	3.5
Frozen-treat stands	2.06	2.00	3.0	(1.6)
TOTAL, eating places	162.64	154.35	5.4	0.8
Bars, taverns	8.69	8.78	(1.0)	(5.5)
Contract feeders				
Business & industry	5.47	5.11	7.0	2.4
Manufacturing, industrial plants	4.10	3.83	7.1	2.5
Commercial, office buildings	1.37	1.29	6.5	1.9
Hospitals, nursing homes	1.83	1.68	8.6	4.0
Colleges, universities	3.17	2.86	10.8	6.0
Primary, secondary schools	1.27	1.20	6.5	1.9
Airlines, cruise ships	1.61	1.47	9.5	4.3
Recreation, sports centers	1.91	1.80	6.0	1.4
TOTAL, contract feeders	15.26	14.13	8.0	3.3
Lodging places				
Hotels	13.11	12.43	5.4	0.8
Motor inns, motels	2.55	2.43	5.2	0.6
TOTAL, lodging places	15.66	14.86	5.4	0.8
In-store restaurants	7.79	7.32	6.4	1.8
Recreation, sports facilities	2.88	2.70	6.2	1.4
Mobile caterers	0.89	0.84	5.3	0.7
Vending, non-store retailers	5.69	5.42	5.0	0.4
TOTAL, all commercial establishments	219.49	208.40	5.3	0.7
Institutional places				
Employee-feeding places	1.97	2.0	(0.2)	(5.0)
Public schools	3.78	3.61	4.5	(0.1)
Colleges, universities	4.03	3.95	2.2	(2.6)
Transportation sites	1.28	1.18	8.0	3.5
Hospitals	9.48	8.90	6.5	1.8
Nursing homes	4.14	3.92	5.6	1.0
Clubs, camps	2.30	2.18	5.4	0.8
Community centers	0.67	0.63	6.7	2.0
TOTAL, institutions	27.65	26.35	4.9	0.5
Military facilities				
Officers, NCO clubs	0.67	0.70	(3.9)	(8.5)
Military exchanges	0.32	0.34	(5.0)	(9.6)
TOTAL, Military	0.99	1.04	(4.3)	(8.9)
GRAND TOTAL	248.13	235.78	5.2	0.6

Source: National Restaurant Association

> "For individual companies, real sales will probably be down by one to five percentage points. There will just be so many more people out there competing for what moderate growth [opportunities] will be available in a weak economy."
> — Ron Paul

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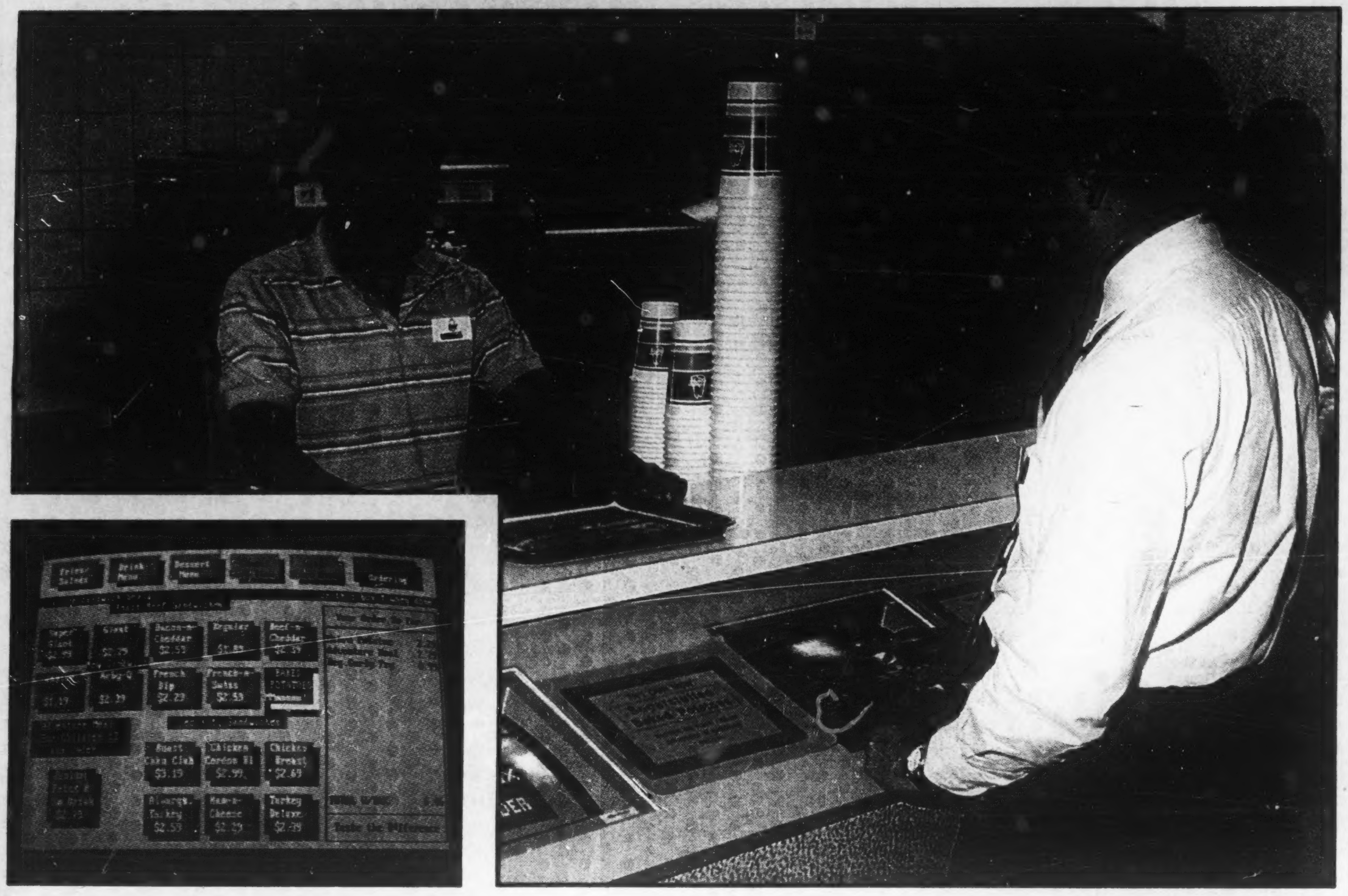


NRN Photo

Put your best finger forward . . .

Providing a possible glimpse of the future, some 40 fast-food outlets around the country have installed interactive, video touch-screen ordering systems. A customer lets his fingers do the talking at an Arby's restaurant in Century City, Calif. ***See story on page 7***

Chain council set for battle in Congress

Lobbying group braces for pending legislative onslaught

by Peter Romeo

WASHINGTON — Striving to become a more potent lobbying force, the National Council of Chain Restaurants recently drew together representatives of 37 foodservice chains to plot a common defense against an expected barrage of tax and labor legislation.

During a three-day summit here, the group discussed ways to fend off such potential threats as a proposed revision of tip-reporting laws, a rollback of the 100-percent tax deduction for advertising expenditures and efforts to limit the working hours of 16- and 17-year-olds.

Insights were added by a number of prominent politicians and regulatory experts who were called in to address the association, which was for-

(See NCCR, page 81)

TACO BELL
NEW 39¢ FIESTA TACOS • MORE

NRN Photo

Taco Bell fights back against McDonald's 'Low Down' promo by hyping its 39-cent 'snack-size' tacos and burritos.

Value war escalates in Southern Calif.

Taco Bell, McD go head to head

by Richard Martin

LOS ANGELES — While an embattled Carl's Jr. chain sidesteps the "value-menu" minefield and regroups for a spring marketing offensive, Taco Bell has aggressively counterattacked McDonald's "Low Down" assault in the latest price-cutting salvo to shake the nation's largest fast-food war zone.

Attempting once again to outflank its two biggest foes in Southern California, the fast-advancing Taco Bell juggernaut has rolled out a three-item menu of 39-cent "snack-size" tacos and burritos here in a limited-time promotion.

Taco Bell's marketwide "Fiesta Tacos" maneuver adds to the chain's under-$1 menu arsenal and takes aim at the

(See VALUE WAR, page 4)

INSIDE

The opportunities of in-store feeding
Charles Bernstein/Page 29

A closer look at IFA's 31st confab
Page 134

Customer traffic blues spark COEX attendees to examine new cures

by Jack Hayes

ORLANDO — With unit traffic stricken by recession and oversaturation, the nation's chain foodservice operators are turning everywhere this year to find the one medicine that can bring their restaurants back to health:

A heavy dose of customers three times a day.

Gathered here at the 18th annual Chain Operators Exchange — COEX '91 — the leaders of multiiunit restaurant operations from coast to coast prescribed marketing, menu, concept and attitude overhauls to cure the disease of missing patrons in 1991.

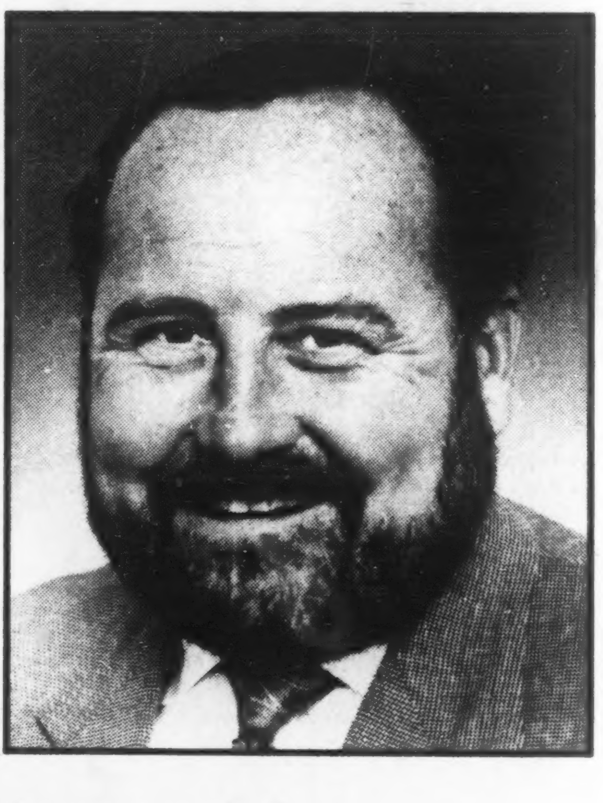
"You try all these ethereal things, but it always comes back to the old question: 'Did you make the customer happy today?'" challenged Tom Swartz, the president of 64-unit Jreck Subs, based in Watertown, N.Y.

COEX91
New Challenges New Strategies

One of 1,200 attendees at the operator-supplier conference — themed New Challenges-New Strategies — Swartz added, "You can't do anything without customers."

Even as COEX got under way, keynoter Michael Hurst, president of the National Restaurant Association, warned fellow operators they need to

(See COEX, page 37)



Gary Langstaff

Ad chief Langstaff exits BK

by Milford Prewitt

MIAMI — Burger King's high-profile marketing chief, Gary L. Langstaff, who was brought in two years ago to revive the No. 2 burger chain's lifeless marketing efforts, has resigned over differences in strategy.

Langstaff, creator of the chain's contentious advertising theme "Sometimes, you've got to break the rules," leaves one month shy of what would have been his second anniversary at

(See LANGSTAFF, page 80)

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Vol. 25, No. 10 March 11, 1991

NEWS BRIEFS

Cracker Barrel reverses policy on gay hiring

LEBANON, Tenn. — Under attack from gay activists, Cracker Barrel Old Country Store Inc. said it has dropped its policy against employing homosexuals in its 100 restaurants throughout the Southeast.

Despite the company's sudden policy reversal, gay rights groups claim that Cracker Barrel continues to pursue its homophobic practices. Atlanta-based Queer Nation recently picketed a Cracker Barrel store that had been the site of homosexual firings. And the Tennessee Gay & Lesbian Alliance staged a Cracker Barrel demonstration in Nashville the same day.

"They haven't made restitution," said Robert Bray, a spokesperson for the National Gay & Lesbian Task Force based in Washington, D.C. Bray said his group and others want a written policy from Cracker Barrel, expressing a clear promise to no longer discriminate against homosexuals.

Cracker Barrel chairman Dan Evins, now the company's sole spokesman on the issue, was not available for comment.

Stevens quits as prexy of Morris' Gladstone's firm

LOS ANGELES — Richard S. Stevens, who teamed with restaurateur Robert J. Morris in last year's $13.5 million repurchase of Morris' landmark Gladstone's 4 Fish and R.J.'s The Rib Joint concepts from Restaurant Enterprises Group, has resigned as president of the partners' California Beach Restaurants holding company.

Stevens, the former president of Wrather Corp.'s Disneyland Hotel, Queen Mary and Spruce Goose division and vice president of the 1984 Olympics, left California Beach "to pursue other business interests," the company said in a statement. He will remain a director of the firm, in which he holds a 14.1-percent stake, equal to Morris' share, according to the company's 1990 report.

Although the $13 million-a-year Gladstone's here ranks as California's top-grossing restaurant, the highly leveraged California Beach firm reported a $94,703 restaurant-operating loss on sales of $10.2 million for the six months ended Oct. 31.

NY court rejects liability case against bar exec

ALBANY, N.Y. — A state court of appeals here has ruled that an executive of a Bronx bar could not be held responsible for activities that took place while he was off the premises.

The case was brought by the Bronx district attorney's office against James Byrne, an officer of Mannion's Bar, in 1985 after several young people served at the bar were later involved in a fatal auto accident. The district attorney alleged that Byrne should be held responsible even though he was not at the establishment while the youths were drinking.

The appeals court rejected the district attorney's assertion, setting a legal precedent, according to the United Restaurant, Hotel, Tavern Association, a trade association that argued on Byrne's behalf.

Grand Met sells more U.K. units, promotes Martin

LONDON — Grand Metropolitan PLC, parent of Miami-based Burger King, said it is accelerating plans to sell its restaurants in England and focus on the international operations of Burger King and such sister subsidiaries as the Pearl Vision eyewear chain.

Toward that end, the company recently sold its 101 Pizzaland units and 35 Pastificio outlets to BrightReasons Ltd., a company founded by four former executives of Mecca Leisure Group PLC, operator of Hard Rock Cafes. Terms were not disclosed.

Meanwhile, Burger King chairman Ian Martin has been promoted to the additional post of deputy group chief executive of Grand Met. Next year Martin will return to Grand Met's London headquarters as chief operating officer, the company indicated.

In the meantime, Martin will also remain chief executive of Grand Met's Food Sector, the U.S. operation that oversees Burger King and Pillsbury.

Toscana closes in Big Apple

NEW YORK — Toscana, the high-end Northern Italian restaurant owned by the Bitici family, has closed.

The family intends to reopen the operation later this year under a new name and with a more casual concept. Co-owner Sergio Bitici said the new restaurant would target "a wider group. We'll keep the quality standards, but the prices will be notably lower." The premises will also be renovated, he said.

Bitici said business had been suffering at the stylish 4-year-old restaurant. "We were never successful in attracting the people in the neighborhood," he explained.

The Bitici family continues to operate the Minetta Tavern, Chelsea Trattoria, Grand Ticino and Gran Caffe Bitici.

Monaghan resumes operations role at Domino's

ANN ARBOR, Mich. — Scrapping his unsuccessful year-and-one-half-long effort to sell the company he founded, Domino's chairman, Tom Monaghan, said he would resume daily involvement in operations.

Monaghan stepped away from operations in September 1989 to concentrate on selling the nation's second-largest pizza chain and devote more time to personal interests. Monaghan, who blamed the lack of interest on the recession, said just two bids came in, and both were too low.

David Black, who has been running the company in Monaghan's absence, will continue in his post as Domino's president.

El Torito names executive VP

IRVINE, Calif. — El Torito Restaurants Inc. has named East Coast regional manager Russ Bendel to succeed Michael Hislop as executive vice president of operations for the 174-unit Mexican dinner-house chain, president Mike Casey said.

"His primary strength is as an operator: He spends a lot of time on the road, a lot of time in the restaurants, and he identifies well with the restaurant managers," Casey said of the 36-year-old Bendel.

Bendel, a former Casa Maria staffer who joined El Torito in 1985, when it acquired Casa Maria from Host International, is a Florida International University graduate. He assumes his new position April 1, when Hislop moves to the chief executive officer's position at San Francisco-based Chevys Mexican Restaurants.

Marriott sells 43 restaurants

WASHINGTON — As part of its continuing effort to divest its family restaurant holdings in order to concentrate on lodging and contract services, Marriott Corp. has signed an agreement to sell 43 units to the Elxsi Corp., a Greenwich, Conn.-based concern with no previous foodservice holdings.

Terms of the deal were not disclosed.

The restaurants, all located in the New England area, were operating as Bickford's and Howard Johnson's.

In two previous deals this year, Marriott divested a total of 165 restaurants.

Dunkin' develops 'healthy' doughnut

RANDOLPH, Mass. — Dunkin' Donuts is expanding its marketing efforts toward the nutrition-conscious consumer with the launch of a cholesterol-free doughnut line.

The 2,200-unit snack chain based here said it has developed a batter recipe that eschews the use of egg yolks, thereby eliminating dietary cholesterol and about 90 percent of the saturated-fat content.

A Dunkin' representative said it was able to use the health-oriented recipe in all but four of the chain's 52 doughnut varieties.

Although the reduced-fat doughnuts are currently being offered in scattered franchises, the official rollout will begin gradually over the next several weeks.

Several years ago Dunkin' Donuts waded into the nutrition market with the introduction of an oat-bran muffin.

FINANCIAL NEWS

Marriott 4th-quarter profits bruised by onetime charges

by Bill Carlino

WASHINGTON — A $54 million fourth-quarter loss cut Marriott Corp.'s profits for the year ended Dec. 28 to $47 million, a 277-percent decline from the prior-year figure.

Attributing the profit decline to onetime charges totaling $97 million, Marriott said its revenues for the year rose 1.5 percent, to $7.6 billion.

The aftertax write-offs stem from Marriott's restructuring plan and its decision to suspend development of full-service hotels and resorts. During fiscal 1990, the hospitality giant dismantled its restaurant holdings to concentrate on contract feeding and limited-service lodging concepts.

About $1 billion was raised through the sale of hotel and restaurant assets during 1990, including $365 million from the sale of the Roy Rogers chain to North Carolina-based Hardee's.

The company's annual results were also shaved by severance and separation outlays for about 1,000 corporate management personnel, who were laid off from Marriott's restaurant, construction and development divisions.

The company's annual results also were shaved by severance and separation outlays for about 1,000 corporate management personnel, who were laid off by Marriott.

"We are confident that the actions we have taken in the recent months provide sufficient financial flexibility to weather these uncertainties," said bill Marriott, Marriott chairman. "The moves enhance our cash flow and provide added assurance that we will have adequate capital available to complete already planned projects and construction in progress."

Although Marriott's capital spending could slide to $275 million to $300 million in 1992, analysts said the write-downs and austerity measures may eventually be the winch needed to pull the company from its current financial shoals.

"They're in an environment where further asset sales are likely," said Mike Mueller, an analyst with Montgomery Securities in San Francisco. "Their debt level will most likely peak during the first or second quarter, but then they can begin to pare it down.

Currently Marriott is saddled with a debt load of about $3.5 billion.

"All the write-offs it's taken may be the pause its balance sheet needs to recover," said Daniel Lee, who tracks the foodservice industry for First Boston Corp. "These charges are obviously exclusive of its ability to operate. It still has quality people running the hotels or the contract accounts."

Marriott reported 9-percent and 19-percent sales gains in its lodging and contract services divisions, respectively.

Lodging accounts for about 55 percent of company sales while the non-commercial feeding arm accounts for about 50 percent of gross income.

In a more detailed recap of the $97 million in write-off charges, a Marriott spokesman said that sum included losses of $17 million in delayed new hotel start-ups, $9 million for a series of client billing corrections in its Food & Services Management Division and a 5-percent increase in interest income expense.

About $88 million was written off in the fourth quarter. Sales for the period were $2.5 billion, little changed from the figure for the year-ago quarter.

Marriott's capital-spending budget has been slashed to less than $500 million for 1991, a dip of more than 50 percent from its $1.3 billion figure in 1989. However, that number includes $75 million in capitalized interest, interest that accrued during new property construction and subsequently was plowed back into the company.

Last month Marriott struck two separate agreements to sell a total of 165 of its family restaurants, which operate under various names like Wag's, Allie's and Big Boy. The company is still scouring for buyers for its 280 remaining family restaurants.

FOOD PRICE OUTLOOK

Many California crops in jeopardy

by Patt Patterson

The California drought is still a major concern for that state's canners and freezers as well as for fresh produce growers. At presstime, Gov. Pete Wilson was said to be considering declaring a statewide emergency on the heels of severe cutbacks in water allocations to agriculture by both state and federal water projects.

The picture is mixed, however. Most Northern California cling peach growers say they will have adequate water available from wells where aqueduct water isn't sufficient. Lettuce growers in the central coast area say they, too, will have at least 80 percent of their normal water available, again from wells.

In the southern San Joaquin Valley, many farmers say they will be just about go out of business, since much of the underground water there is not suitable for irrigation because of high concentration of salts.

Poultry prices are below last year's. Producers still increase production, although not so rapidly as they did a few months ago.

Lamb and mutton supplies are slowly growing. Production is up more than 5 percent, while consumption is up only about 3.3 percent. However, imports fell off sharply last year and have only recently been increasing.

Artichokes will be in strong supply from mid-March through May. The Christmas freeze didn't kill many plants, and they are now laden with chokes.

Iceberg lettuce prices are moving up at presstime. Stronger demand and lowered production have pushed up prices. Leaf lettuce prices are trending downward on weaker demand and strong supplies.

Watch out for a probable gap in broccoli supplies in mid-March. It is delayed action from the freeze on the central coast. The desert crop will be over, so there'll be no relief from that region. Prices should surge.

Cauliflower will be in better supply, but expect higher prices in mid-March to mid-April.

FACT FILE

Sales growth of selected types of franchises, 1989-91

	Sales (in billions)			% change
Type	1989	1990	1991	'90 vs. '91
Restaurants	$ 70.1	$ 77.8	$ 85.4	9.8%
Hotels, motels	21.6	23.8	25.9	8.8
Convenience stores	14.3	14.3	14.9	4.2
Nonfood retailing	26.7	29.2	31.3	7.2
Tax preparation	0.6	0.7	0.7	6.0
Automotive products and services	12.5	13.8	15.4	11.6
Total, format-type systems	192.9	213.8	232.9	9.0

Source: International Franchise Association, *Franchising in the Economy 1989-91*

FINANCIAL DIGEST

Wendy's posts 29% profit gain for 1990

DUBLIN, Ohio — Wendy's said improved restaurant operations and increases in units' profit margins pushed annual profits for 1990 to $39.3 million, a 29-percent gain, despite a 5-percent drop in revenues, to $922.1 million.

For the fourth quarter ended Dec. 30, net income rose 35 percent, to $7.8 million, while revenues fell 4 percent, to $249.5 million.

The drop in quarterly and annual sales occurred despite a 3-percent gain in the average intake of company units for the quarter and a 6-percent gain for the year.

Unit margins rose to an average of 12.5 percent as a result of discontinued promotions, lower food costs and improved cost controls, Wendy's said.

In addition, the company's administrative and restaurant operating costs for the year fell 9 percent, to $336.9 million.

Systemwide sales grew 3 percent during the quarter, to $761 million, but flattened for the year, with just a 1-percent increase, to $3 billion.

Wendy's ended the year with a 3,727-unit chain — 28 fewer than a year earlier. Franchisees operate 2,657 units.

Restaurant stocks rebounding

NEW YORK — Restaurant stocks are on the rebound as investors flock to the issues, encouraged by expectations of a successful conclusion to the Persian Gulf war and government indications that the recession may be short-lived.

The NRN Stock Index, a market-weighted barometer of 67 restaurant securities, the broadest industry-specific gauge available, has recovered nearly all of the ground it lost in the weeks following Iraq's occupation of Kuwait in August.

After plummeting to a near record low of 176.22 during the week of Oct. 1, the NRN index rose last week by 56.5 points, to 232.72, a 32-percent gain.

That benchmark is just 12 points shy of the historic high of 244.65, which was hit during the last week of July.

The NRN stock index's comeback is stronger than the rally under way on some of the major stock exchanges. The Dow Jones Industrial Average, for example, is up just 18 percent since bottoming out in early October.

Among specific restaurant issues whose share price has appreciated the strongest since October are Sbarro's, up 69 percent, to a recent closing price of $43.13; Cracker Barrel, up 83 percent, to $36.25 per share; Frisch's Restaurants, up 112 percent to $20.63; ShowBiz Pizza Time, up 48 percent to $35; and Collins Foods, up 31 percent, to $20.75.

Good Times' 1st-Q losses narrow

BOULDER, Colo. — Good Times Restaurants, a three-unit drive-thru hamburger company that recently went public, reported a loss of $77,500 for the first quarter ended Dec. 31, compared with one of $111,400 for the year-ago period.

Revenues rose 32 percent, to $451,400. Good Times attributed the gain in revenues to higher per-unit volumes.

The company is looking to open four more company units this year as well as to stake out franchise territories in the Western states.

Little Caesar's foresees 21% rise in sales

DETROIT — Little Caesar's Pizza, the privately owned takeout pizza chain that ranks No. 3 in the segment, projects that systemwide sales this year will increase 21 percent, to $1.7 billion.

Little Caesar's is predicting that sales for the entire pizza segment will grow by 5 percent.

At the same time, the company says it will add another 650 units to the chain this year, for a total of 3,823 units by the end of the year.

Last year systemwide sales reached $1.4 billion on 3,173 units.

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Charge card fees spur restaurateur rebellion

American Express mulls new commission rates

by Bill Carlino

BOSTON — With more than 100 restaurateurs here threatening to stop accepting the American Express card unless the commission rates are reduced, American Express revealed that it is re-evaluating its fee structure.

"We've been evaluating our pricing issue on a nationwide basis for several months now," Marcos Rada, American Express' president of public affairs, said while company officials were meeting here with the riled restaurateurs.

A decision on the rates will be reached by May 1, he said.

Restaurateurs here drew headlines when they said they could no longer afford to pay the assessments, explaining that the local economy had slid into a severe recession since the fees were set.

"Supply is up, and demand is down but American Express is apparently unaware that we're not doing the volumes of five years ago," said Steve DiFillippo, owner of Davio's, a three-unit upscale concept specializing in Northern Italian cuisine.

"You can't give a pricing advantage to one small group; you have to achieve parity for the entire restaurant industry," Rada explained. "You do not reset your discount rate in one afternoon."

DiFillippo's group said it wants American Express to roll back its commission fee to 2 percent, or approximately the same amount that is levied by such credit cards as MasterCard and Visa.

Every time a customer charges a meal on American Express, the restaurant pays a commission, or "discount rate," of 3 to 5 percent. The exact amount depends on the type of industry and its charge volume.

For instance, a restaurant grossing $500,000 in American Express charges would pay about $20,000 a year in American Express commissions calculated at an interest rate of 4 percent.

DiFillippo says the American Express fees for his trio of restaurants approaches $100,000 annually.

"If they don't change their commission rates, many owners won't have any recourse other than to raise menu prices," he said. In the midst of a recession,

(See BOSTON, page 75)

INSIDE

Foodservice suppliers gain in stature
Charles Bernstein/Page 21

Fast feeders see double from drive-thru mania
Segment Study/Page 27

View from the Vineyards 1991 honors Julia Child
Pages 38-42

The interior of the $2 million, 3-story Palace Cafe, which is housed in the historic Werlein building in New Orleans.

Brennan family kingdom grows with new Palace

Cousins open New Orleans hybrid

by Jack Hayes

NEW ORLEANS — With the blueprint of an American dinner house and the menu and flair of a Parisian brasserie, the $2 million, three-story Palace Cafe is creating a bold, new image for the Brennan restaurant family on bustling Canal Street here.

Third-generation cousins Dickie Brennan Jr., Bradford Bridgeman and Ti Adelaide Martin — from the same side of the family that operates Commander's Palace, Mr. B's Bistro and Brennan's of Houston — are opening the Palace Cafe officially this week after a 21-day trial run that drew waiting lines with no advertising.

Linking the historic French Quarter, the downtown business center and the tourist

(See BRENNANS, page 75)

BK 'breaks the rules' with new table service

Burger biggie aims to boost dinner sales

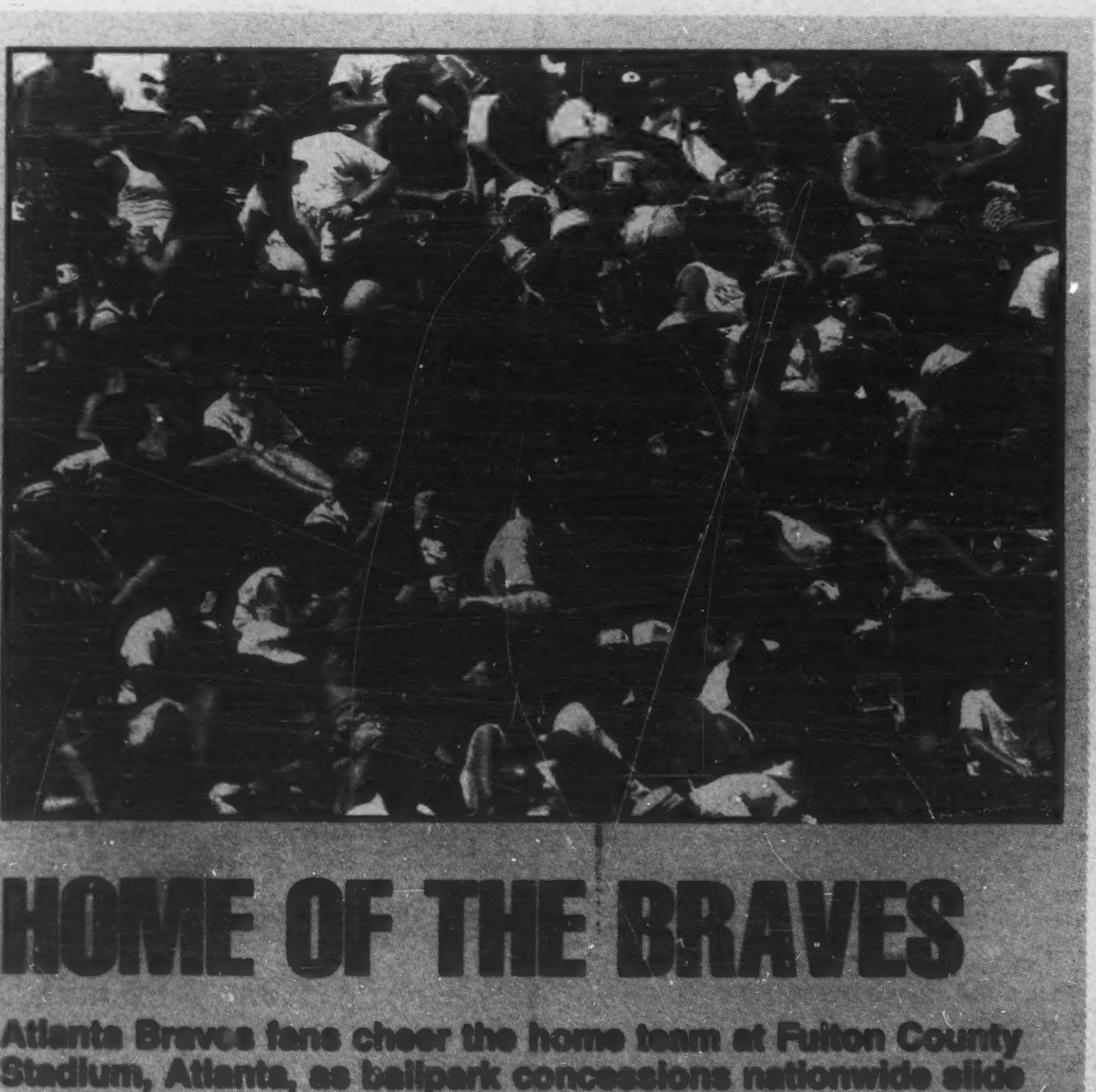
by Milford Prewitt

MIAMI — Burger King's introduction of limited table service at 900 company units could open a floodgate of new products and services for the No. 2 hamburger chain, said marketing executive Ned Owens.

"We have a lot going on here, and things are happening very fast," commented Owens, BK's manager of brand strategy. "All of this is part of a strategy to satisfy the customer" — and give Burger King's traditional fast-food image an unusual tweak.

The new dinnertime service, according to Owens, was inspired by Burger King's soon-to-expire advertising tag line, "Sometimes, you've got to break the rules." It marks an attempt by the chain to boost dinner sales by taking an unusual tack.

(See BURGER KING, page 75)

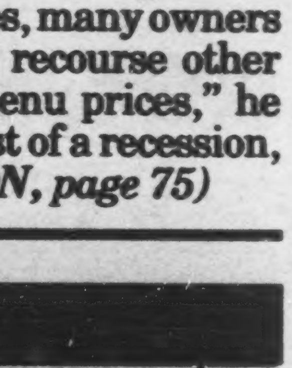


HOME OF THE BRAVES

Atlanta Braves fans cheer the home team at Fulton County Stadium, Atlanta, as ballpark concessions nationwide slide into high-profit niche. *See story on page 32.*

Williams replaces Hill as CRM prexy

by Carolyn Walkup



Hill

SHAWNEE MISSION, Kan. — Judy Williams has been named president and chief operating officer of Creative Restaurant Management, replacing Kenneth Hill, who took a high-level job at Applebee's after parting with CRM.

(See HILL, page 7)

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Vol. 25, No. 14 April 8, 1991

NEWS BRIEFS

BMI sues Chi-Chi's for playing tunes without a license

NEW YORK — BMI, an organization that collects royalties owed to musicians for the use of their songs, has filed a music copyright infringement suit against Mexican dinnerhouse operator Chi-Chi's Inc., a division of San Diego-based Foodmaker Inc.

The suit alleges that Chi-Chi's operations in Pittsburgh, Virginia Beach, Va., and Dearborn, Mich., played songs without paying for a BMI blanket license, which covers more than 2 million songs. It alleges that the outlets violated copyrights 36 times by playing such songs as John Lennon and Paul McCartney's "Love Me Do," Billy Joel's "We Didn't Start the Fire," and Chuck Berry's "Johnny B. Goode."

Chi-Chi's could end up paying $100,000 for each infringement, according to BMI spokeswoman Cindy Dupress. A yearly registration fee would be approximately $250 a year for each restaurant, she said.

BMI stated in a prepared release that they were diligent in getting the restaurants to secure licenses before they filed suit.

Chi-Chi's could not be reached for comment.

Atlanta Hardee's units to accept credit cards

ATLANTA — Three Hardee's franchisees here, including 70-unit Garner Food Services Inc., have agreed to accept credit cards under an exclusive one-year arrangement with Visa and MasterCard.

"We expect credit sales to hit at least 5 percent," said Debbi Shapiro, Garner's marketing director. She said that Hardee's customers are reacting with surprise when servers ask them: "Will that be cash or charge?"

Visa and MasterCard are spending equally on the ad program to promote the credit purchase option, she added. Both card logos are showing up on Hardee's door windows, pole signs and cashiers' uniforms.

Garner and the two other Atlanta franchisees, Prime Food Systems and COFA Restaurant Corp., operate 87 of this market's 100 Hardee's stores. Earlier this year, Hardee's sold most of its Atlanta units to Garner as part of an ongoing strategic plan to reduce its company-to-franchised store ratio.

Daytona Beach is the next of several markets that will launch the Visa-MasterCard test with Hardee's.

Pizza Hut taps Chiat Day prexy as marketing chief

WICHITA, Kan. — Pizza Hut's drive into the delivery business could get a boost from the appointment of Robert J. Perkins, formerly president of the Chiat Day Mojo advertising agency, as senior vice president of marketing.

Perkins is a specialist in "targeted marketing."

With the information Pizza Hut has amassed from its delivery customers, Perkins is expected to escalate the chain's battle with Domino's by making wider use of data-based and direct-mail marketing systems.

He will oversee a $100 million advertising budget.

Perkins succeeds David Novak, who left last year to become executive vice president of marketing for Pizza Hut's parent, Pepsico.

Furr's/Bishop's unitholders okay changeover plan

LUBBOCK, Texas— The unitholders of Furr's/Bishop's Cafeterias have given management the go-ahead to convert the limited partnership into a corporation.

Under a plan approved at a special meeting, each unit of the limited partnership will be converted into a right to collect 75 cents in cash; 0.6 percent of convertible preferred stock valued at $9, with a stated annual dividend of $1.17; and 0.25 percent of a common share in Furr's/Bishop's.

As part of the arrangement, Furr's/Bishop's is planning a self-tender offer for 2 million common shares for $4 each.

The company was one of a handful of foodservice concerns that opted several years ago to become a limited partnership because of the potential tax advantages.

FDA discloses plans to study safety of seafood plants

WASHINGTON — Responding to concerns about the safety of seafood, the Food and Drug Administration said it plans to evaluate the food handling procedures and sanitation conditions of all 4,100 of the nation's seafood processing plants.

The agency said that the tour was being undertaken to evaluate the current safety of seafood supply routes.

It also disclosed that it was testing a new safety program at four processing test sites, but did not divulge details.

A number of consumer advocacy groups have been calling for the mandatory inspection of seafood by the government. They note that inspectors are required to certify beef and chicken before it can be consumed, but no such approval is required of seafood.

The restaurant indusry has championed steps that would better safeguard the nation's seafood supply. However, many operators worry that mandatory inspection would increase the cost of the commodity.

Suntory closes Boston showcase

BOSTON — Blaming a soft local economy, Suntory International has shuttered its lavish Restaurant Suntory here after it failed to meet the parent company's break-even timetable.

"We'd been operating four years but our restaurant investment is so high: We are putting $4 million or $5 million in each restaurant," said Yoshiaki Oda, vice president of the Chicago-based Suntory subsidiary.

It intends to sell the Boston property but will wait until the current real-estate slump subsides, Oda said. The firm operates 18 of the high-end Japanese dinner houses worldwide, including an Atlanta branch launched in February and a 4-year-old Chicago restaurant, which reportedly grosses $2 million annually on tabs averaging $40 per person.

Tokyo-based Suntory Ltd. has 200 restaurants in Japan.

Three openings swell competition in San Franciso

SAN FRANCISCO — The opening here of three hotels — a Ritz-Carlton, the renovated Sheraton-Palace, and another Kimpco boutique hotel — will add more than a 1,000 rooms and at least five new restaurants to this highly competitive hospitality market.

The openings will bring the city's total room inventory to about 29,600 and are expected to slow, though perhaps only temporarily, the local industry's efforts to restore its composite occupancy level to the mid-70 percent range it enjoyed at times during the past decade. Mary Jo Martin, of the accounting and consulting firm of Pannell Kerr Forster, said San Francisco's 1990 occupancy rate was 70.4 percent.

Located in a renovated 82-year-old building on Stockton Street, between California and Pine, the new Ritz-Carlton San Francisco has 336 rooms. The 550-room Sheraton-Palace Hotel, on Market Street at New Montgomery, was to reopen last week, and Kimpco's latest, the 131-room Harbor Court Hotel, is scheduled to open April 15, on Steuart Street.

Sheriff seizes cruise-dining ship in Ohio

CLEVELAND — The Cuyahoga County Sheriff's Department has seized the Star of Nautica, a cruise-dining ship, because the owner has outstanding bills.

State Fish Co. is suing Star Line Inc. for over $7,408 in unpaid bills incurred by the Star of Nautica.

NOTICE

As part of its inducement to potential "Best of the Best" fine dining award candidates, the Milwaukee, Wis.-based organization behind the awards program is giving away free subscriptions to Nation's Restaurant News. Nation's Restaurant News is in no way affiliated with the organization or its awards program.

Casual-themers not so 'recession-proof' after all

by Milford Prewitt

Just a quarter or two ago, the casual dinner-house segment was churning out the kind of financial results that made some analysts speculate that the category was in some way "recession-proof."

NEWS ANALYSIS

With the exception of casual themer Chart House Enterprises, whose menu prices are among the highest of all chain operations in the industry, casual dinner houses prospered on the strength of low to moderate menu prices and a full-service yet casual atmosphere.

But as the recession lingers and the interest charges for chain expansion start to mount, the segment is beginning to show a few signs of vulnerability.

To be sure, the misery is not universal throughout the segment. Just recently, Chili's, Applebee's and O'Charley's all reported improved operating results in their most recent quarterly closings.

Chart House Enterprises, Famous Restaurants, Max & Erma's and Family Steakhouses of Florida, a steak-house operator that loosely fits the casual-theme mold, all have recently rereported declines in earnings, slumping sales or other unpalatable operating results.

Segment leader Chili's, for instance, recently reported a 30- percent gain in second-quarter net income

O'Charley's, a casual themer that went public on the eve of the Persian Gulf crisis, posted a 26-percent gain in earnings for the third quarter ended in October. (Its fourth quarter results are expected this week.)

But for others, the recession, taxes and higher operating costs are deflating profits.

Max & Erma's, a company that typified the fast-growth investment opportunities that drew many investors to the restaurant industry in the first place, has been particularly rocked by the recession, higher taxes and store expansion costs. For two consecutive quarters, the company has reported sinking earnings.

For the company's first quarter ended in February, net income slid 37 percent, down to $160,000, on a 30-percent gain in revenues, to $11.4 million.

As the recession lingers and the interest charges for chain expansion start to mount, the segment is beginning to show a few signs of vulnerability.

For the fourth quarter ended in October, profits fell 44 percent, to $126,000.

For the full fiscal year, the company's net earnings declined 30 percent, to $835,000 on a 25-percent gain in revenues, to $30.4 million.

In statements about both quarter's results, company officials moaned about the recession's effect on sales and the impact of higher interest payments on profits.

But Todd Barnum, president, chief executive and chairman, indicated that in the later part of the first quarter of fiscal 1991, Max & Erma began witnessing a turnaround.

Just as the three-month period ended, lower expenses coincided with improving margins and an uptick in same-store sales, he said.

Just five months ago John Creed, president of Chart House, boasted to investors that "we believe we're a little recession proof."

Time has not verified that claim for the Solana Beach, Calif.-based seafood chain, which sits at the high end of the casual-theme segment.

For the fourth quarter ended Dec. 31, expansion costs and higher interest expenses pounded the company's earnings downward by 38 percent, to $349,000. Revenues grew by 17 percent, to $37.6 million.

For the year, however, earnings doubled, hitting $6.4 million on a 10-percent gain in revenues, to $154 million.

The company blamed its year-end problems on interest expenses stemming from the opening of 15 new outlets and a downturn in consumer spending brought on by the Middle East crisis and the recession.

The economy is also taking a toll on Famous Restaurants, the Scottsdale, Ariz.-based casual-theme operator of 116 Tex-Mex and seafood restaurants.

The company announced its intention to take a $13 million to $17 million charge to cover the cost of closing several underperforming restaurants and units where "excessively high rents are being renegotiated."

FOOD PRICE OUTLOOK

Calif.'s rains haven't ended drought

by Patt Patterson

Although the heavy rains in March were welcome, they didn't end California's drought problems. State water resources officials say reservoirs are still one-third or less of normal levels, and the snow pack is less than 60 percent. Severe cutbacks of water to farmers will probably continue. However, California farm groups say fresh produce output should be about normal. The squeeze could come in fruits and vegetables for canners and freezers.

Rains and cold weather have pushed prices for some California produce up sharply, since growth has been slowed and farmers can't get into the fields to harvest the smaller amounts that have matured. However, dryer weather should bring broccoli, carrot, cauliflower and strawberry prices down again.

Pork prices have leveled and may drop again with increased slaughter expected this spring. Hogs are reported to be coming up to weight earlier than usual. Beef prices are still running higher than last year's at this time, but a drop is expected when feedlots start sending cattle to market in larger quantities, reflecting increased numbers on feed.

Most frozen fish inventories are down from last year's, although cod fillets have increased, but not enough to push prices down much. Catfish production is running about the same as it was last year, with prices fairly stable. Egg prices have moved up again on restricted production. Broiler prices are running about 15 percent below last year's at this time, with supply continuing to increase at about 4 percent to 5 percent per month. Other operators are watching KFC's rollout of Lite 'N' Crispy skinless chicken, with an upswing in demand for skinless chicken possible.

Federal government purchases of dry beans are pushing market prices up. The same thing has happened to dried peas. Government buys of canned cling peaches and canned pears have pushed prices up. California packers are not planning a big spinach pack this year, although freezers say they plan normal packs.

FACT FILE

Men and women and eating out

Those who eat:	Total	Men	Women
	(in percentages)		
Pizza	92	93	90
Italian	84	88	81
Chinese	81	81	81
Mexican	79	79	78
Soul food	46	55	42
Cajun	40	49	30
French	32	36	29
Japanese	32	38	26
Caribbean	18	24	12

Source: The Research Advantage Inc., Hawthorne, NY

FINANCIAL DIGEST

Rax, investor group finalize equity deal

COLUMBUS, Ohio — Rax Restaurants has signed an agreement to receive $7 million in cash from an investment group that will end up owning 78 percent of the company if shareholders approve the arrangement.

The investment group, led by restaurant investor and former publisher Donald A. Karras, includes Ira Herman, Rax's chief executive and president, and CitiCorp Venture Capital.

Closure of the deal depends on the financial restructuring of the company and the forgiveness of about $11 million of its $45 million debt, much of it owed to Banc One Corp. Banc One has agreed to take the loss in exchange for a 7.5-percent stake in the company.

A two-thirds vote is required to approve the transaction. Rax's chairman, J.Pat Ross, and his family, who own almost 20 percent of Rax's outstanding shares, have given CitiCorp a proxy to cast their votes.

Skyline Chili reports 44% income gain

CINCINNATI — Tighter controls on expenses helped Skyline Chili post a 44-gain in net income, to $139,876, on a 3-percent gain in revenues, to $5.7 million, for the first quarter ended Feb. 17.

"For the last eight weeks of the quarter, our restaurant sales turned from robust to depressed, a condition we understand currently afflicts the restaurant industry in general," William G. Kagler, president and chief executive, said in a statement. 'We will keep a lid on expenses until we can be more confident that customer spending has strengthened."

The company said first-quarter results were favorably affected by lower beef and cheese costs, coupled with strong year-to-year gains in units' intake early in the quarter.

Cost controls buoy Vicorp's 1st-Q net

DENVER — A flattening of Vicorp Restaurants' operating costs led to a 50-percent gain in net income, to $3.4 million, on an 8-percent gain in revenues, to $124.6 million, for the first quarter ended Feb. 17.

"Given the difficult environment during the quarter, we are particularly pleased with the growth in our same-store sales," chairman Charles R. Frederickson said in a statement. "Restaurant operating income improved by 11.6 percent, a result of the increased sales volume coupled with essentially stable cost levels in our restaurants."

Max & Erma's 1st-Q net tumbles 37%

COLUMBUS, Ohio — Higher taxes and interest expenses led to a 37-percent drop in Max & Erma's net income, to $160,000, despite a robust 31-percent jump in revenues, to $11.4 million, for the first quarter ended Feb. 17.

During the year the 18-unit company's tax rate rose to 42 percent from 30 percent. Interest expenses related to a stock repurchasing plan also contributed to the company's declining earnings picture.

Moreover, higher operating and interest expenses related to the opening of six new restaurants during the past five quarters also affected profits, the company said.

Rally's earnings climb 36% in 2nd Q

LOUISVILLE, Ky. — Rally's posted a 36-percent gain in net income, to $1.1 million, on a 31-percent rise in revenues, to $19.8 million, for the second quarter ended Dec. 30.

The company did not respond to phone requests for an analysis of its continued earnings improvement.

For the first six months of the year, Rally's net income grew 61 percent, to $2.5 million, on a 36-percent boost in revenues, to $39.5 million. Meanwhile, systemwide sales jumped 19 percent, to $45.9 million, for the quarter and grew 23 percent for the six-month period, to $91.4 million.

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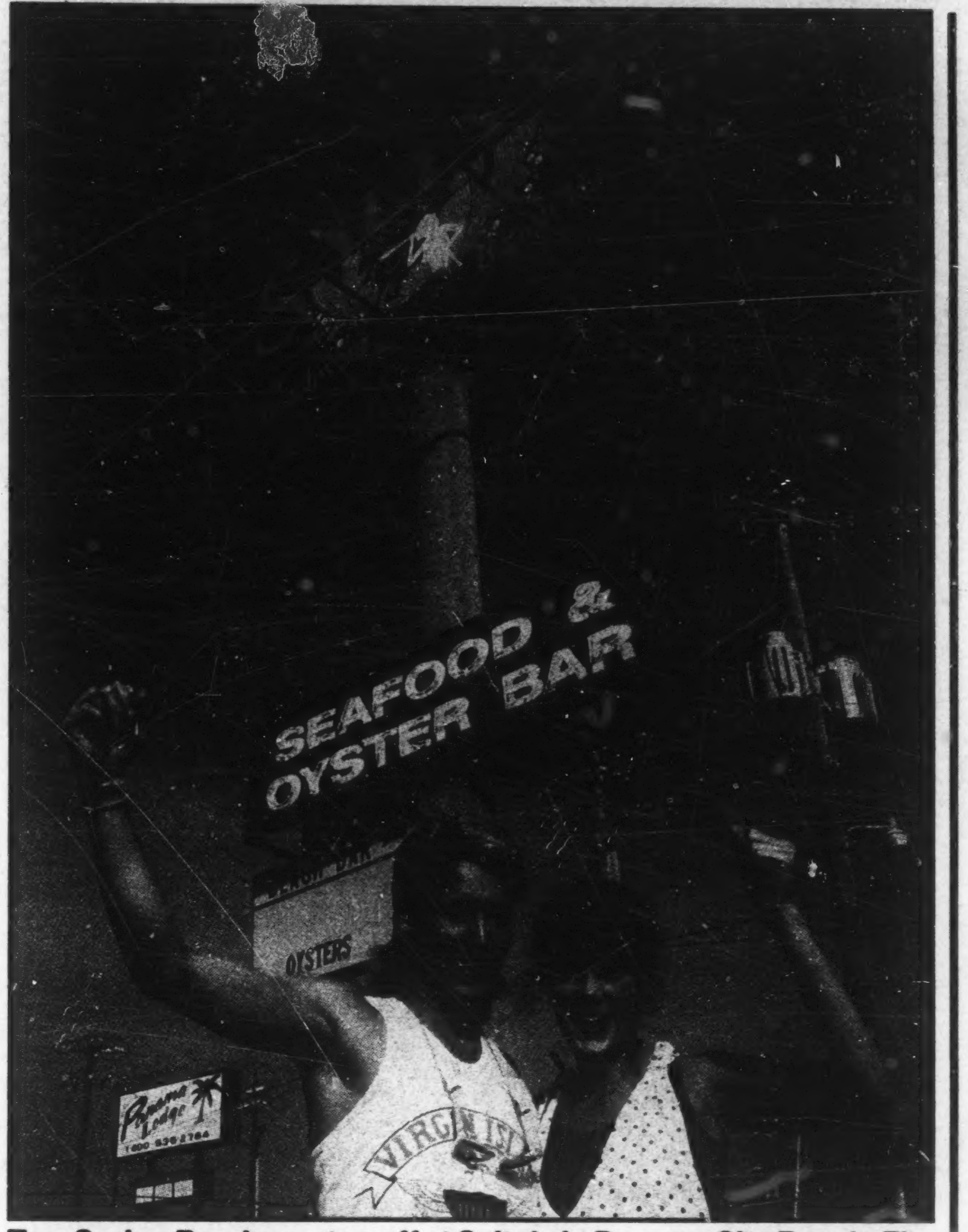


Two Spring Breakers stop off at Salty's in Panama City Beach, Fla.

Gulf sales heat up as 'spring fever' drives kids south

by Jack Hayes

Hundreds of thousands of students on spring break are storming the northern beaches of the Gulf of Mexico and rescuing restaurateurs, hoteliers and bar operators along a 220-mile strip between Biloxi, Miss., and Panama City, Fla.

The student invasion is expected to heat March and April sales to record levels for operators chilled by a long winter made colder by recession and the Persian Gulf War.

"This is the best spring break I've seen in 26 years," roared Cash Moore, who operates 14 Cash's lounge and package stores from Mary Esther to Marianna, Fla.

Moore said that the Saturday night before Easter, he moved 3,000 in and out of his club — which, he added, has seating for only 600.

Other local operators are quick to support Moore's enthu-

(See SPRING BREAK, page 4)

INSIDE

The ad slogan merry-go-round
Charles Bernstein/Page 29

The Cetron Odyssey
Page 46

Pizzeria Uno charts its course
Focus/Page 35

The range as the kitchen workhorse
Patt Patterson/Page 62

Lady luck sets sail in the Rust Belt

Tourist-thirsty Mississippi river towns hope to hit hospitality jackpot with riverboat gambling

by Carolyn Walkup

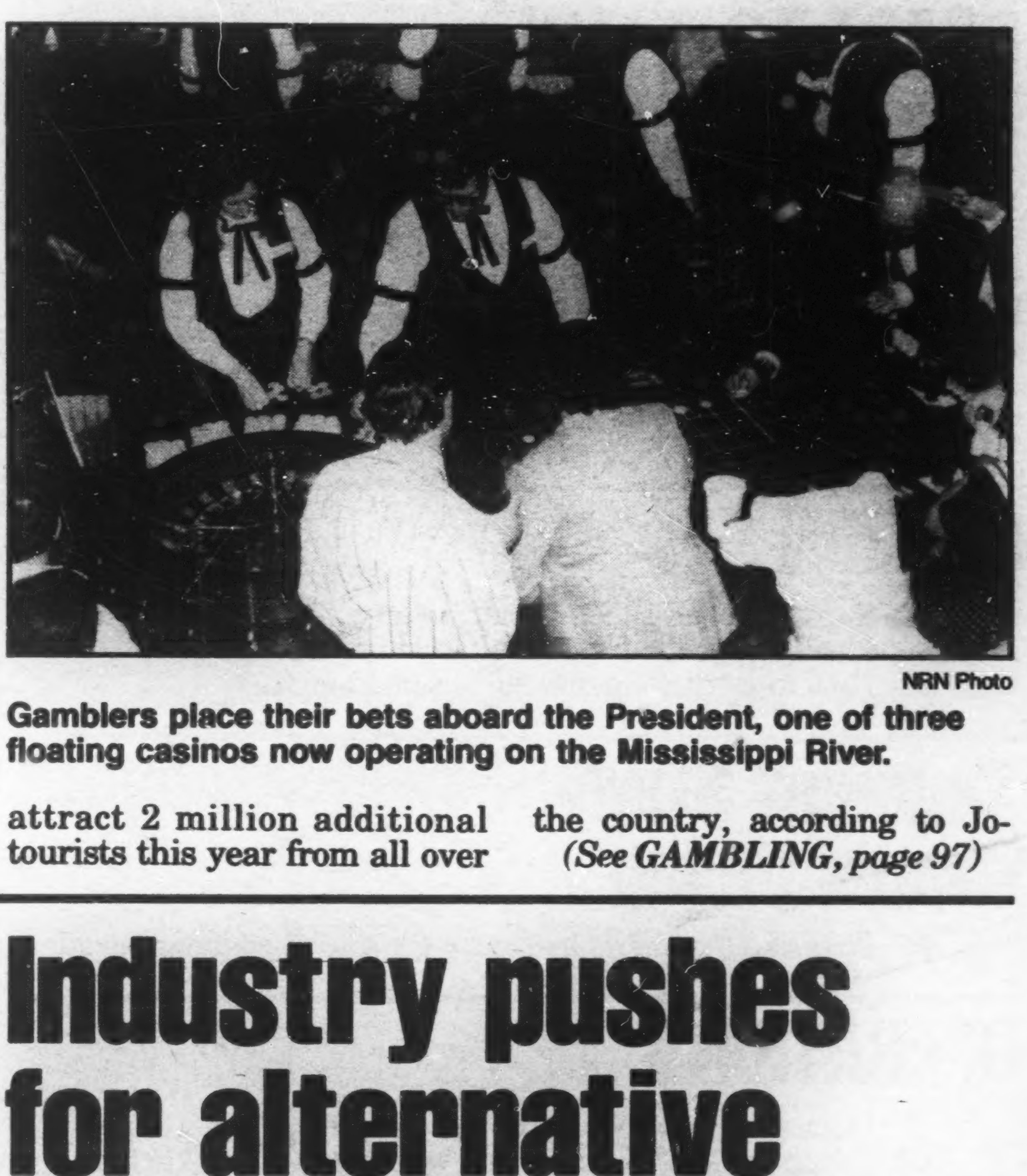
DAVENPORT, Iowa — The hospitality industry is betting that riverboat gambling on the Mississippi River will turn the Rust Belt into a gold mine.

The excitement generated by the April 1 debut of the nation's first legalized casino gambling outside of Las Vegas and Reno, Nev., and Atlantic City, N.J. — and, on a smaller scale, Deadwood, S.D. — extends beyond the riverboats to the river towns that have suffered economically since the decline of the area's manufacturing industry.

Towns unaccustomed to tourism are seeing a need to develop hotels, restaurants and other amenities expected by busloads of tourists flocking to their riverfronts.

Davenport and neighboring Bettendorf alone expect to attract 2 million additional tourists this year from all over the country, according to Jo-

(See GAMBLING, page 97)



NRN Photo

Gamblers place their bets aboard the President, one of three floating casinos now operating on the Mississippi River.

Arby's®

Miami move triggers exit of Arby's top 3

by Jack Hayes

ATLANTA — Arby's top three executives have joined about 80 percent of its 175-person headquarters staff in choosing to resign rather than make the move with the company to Miami Beach, Fla., the base of owner and chairman Victor Posner.

In the latest high-ranking exodus from the 2,400-unit chain, Larry Krueger, George Nadvit and Kam Nasser — executive vice presidents of marketing, operations and finance, respectively — have refused Posner's offer to move south to

(See ARBY'S, page 4)

Industry pushes for alternative teen labor rules

In congressional testimony reps urge changing 'school-night' restrictions

by Peter Romeo

WASHINGTON — Testifying here against a congressional plan to toughen teen-labor laws, foodservice representatives called for alternative changes that would give operators a freer hand in scheduling 14- and 15-year-olds.

Industry delegates pressed in particular for a revision of regulations that prohibit youngsters from working during school nights after 7 p.m., when restaurants need a full staff to deal with the dinner rush.

One speaker, representing the National Restaurant Association, also recommended that 14- and 15-year-olds be allowed to cook and bake in more circumstances than the law currently permits.

She and a representative of the industry's other major lobbying force, the National Council of Chain Restaurants, both urged the federal government to dispel the confusion that arises because of differences in national and state employment laws.

In testimony before a Senate labor subcommittee, the foodservice delegates repeatedly stressed that more employers would comply with existing child-labor regulations if the rules were more reasonable and

(See INDUSTRY, page 97)

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NEWS BRIEFS

REGI officials refute reports that Foodmaker seeks El Torito

IRVINE, Calif. — Senior executives of Restaurant Enterprises Group Inc. confirmed that they discussed a possible sale of the concern's El Torito chain to Foodmaker Inc. earlier this year but stressed that the talks had broken off in February.

The confirmations refute widespread reports that a deal between the two companies is still imminent.

In late December and early January, speculation about a takeover of El Torito by Foodmaker "may have had some basis," said one of Restaurant Enterprises Group's highest-ranking executives.

But by early February the talks with Foodmaker were "completely over and done with," he added, asking that he not be named and declining to give additional details.

A Foodmaker source, who also requested anonymity, confirmed that the discussions had been discontinued.

Ehringer resumes Grand American chairmanship

SANTA MONICA, Calif. — Al Ehringer, the founder, principal owner and former chairman and chief executive of Grand American Fare here, has resumed his chairmanship of the restaurant company.

He succeeds David Lambert, the company's former chairman, president and chief executive, who was named vice-chairman. Lambert, who in January was succeeded as GAF president by former Hooters president Bruce Attinger, replaces retiring vice chairman Robert Scura, another former Grand American president.

John Owens, managing director of the Grand American Group, refuted rumors that a company outsider would be named chairman and chief executive of the diversified firm's restaurant arm. It operates the Saddle Peak Lodge restaurant and the Omelette Parlor chain, both in the Los Angeles area, and 23 college-town tavern-restaurants in Western states.

Zagat Survey plans national fast-food book

NEW YORK — Zagat Survey, the publisher of diner-response-based ratings guides to full-service restaurants in 20 cities, is planning a fast-food edition that would contain a national survey and archival photo and menu reproductions.

Scheduled for early 1992 release, the book would include rankings of chains' service speeds and food specialties based on pollings of Zagat's city respondents. Publisher Tim Zagat said questionnaires would be sent to 40,000 Zagat contributors.

Merrill Shindler, the Los Angeles-based restaurant journalist and radio talk-show host, will write and edit the volume.

Sea Galley taps Young to succeed Krieg as prexy

MOUNTLAKE Terrace, Wash. — The board of Sea Galley Stores Inc., parent to the 17-unit Sea Galley seafood dinner-house chain, has elected current board member Jan Young chairman and president, succeeding Kim Krieg.

Young, a member of the Sea Galley board since 1985, has experience in financial matters and has "put together some [non-restaurant] companies," a Sea Galley spokesman said.

Krieg, a former multiunit restaurant operator and brokerage company president, was named chairman and prexy of the chain last year.

A prepared statement issued by Sea Galley said Krieg gave up his post "after [reaching] mutual agreement with the board." It further noted that Krieg would remain a consultant to the company in the area of "continuing programs of financial restructuring."

Chicago's Melange closes after fire, but cooking continues

WILMETTE, Ill. — Fire badly damaged Melange Restaurant in the middle of a busy weekday lunch during the first week of April.

Owner David Jarvis and staff members evacuated the restaurant, and no one was injured. But the fire, which started while roofers were repairing the roof, caused an estimated $1 million worth of damage and will result in several months' of lost business while insurance claims are settled and rebuilding is completed.

Jarvis, who has made a name for himself as an innovative contemporary American chef, is already planning to reopen in early fall. Meanwhile, the owners of Metropolis 1800 have offered Jarvis use of their kitchen to prepare food for two upcoming benefits.

McDonald's found liable in sleep-deprivation suit

by Milford Prewitt

PORTLAND, Ore. — A jury has ordered McDonald's to pay $400,000 to a 39-year-old man who proved that he was injured in an automobile accident because an 18-year-old McDonald's staffer was too tired to stay awake behind the wheel of his car.

The McDonald's employee was killed in the crash, which occurred only 20 minutes after he had finished an eight-and-a-half-hour graveyard shift on a school night.

The lawyer for the plaintiff said the case is the first one in which a foodservice employer was found liable for a fatal accident related to an employee's sleep deprivation.

Meanwhile, the family of Matthew A. Theurer of Espacada, Ore., the employee who was killed in the accident, has filed a wrongful death suit, charging negligence and several statutory violations stemming from the April 5, 1988, accident.

Robert Neuberger, the lawyer for Frederic M. Faverty, the injured man who won the judgment in the first suit, said the facts he presented showed a company unit in Clackamas, Ore., a Portland suburb, was negligent when it knowingly scheduled Theurer to work two shifts on a school day without any concern for the youth's need for sleep.

McDonald's Corp. did not respond to repeated requests for comment.

Neuberger said that Theurer, after working on a Sunday night between 6 p.m. and 11:30 p.m., rose Monday at 6:30 a.m. to go to school. After attending classes that day, the high school senior was scheduled to work a split shift. The first was a four-hour detail between 3:30 p.m. and 7:30 p.m. Theurer then came back at midnight to work until 8:30 a.m. Tuesday.

In pleading the case, Neuberger said that, based on time sheets and testimony from supervisors, friends and co-workers of the youth, he estimated Theurer had about seven hours of sleep in the last 48 hours of his life.

However, Neuberger admitted that it was not entirely clear how Theurer spent his time between the two shifts.

Theurer was scheduled with another co-worker to clean the restaurant's six deep-fat fryers. When that job was finished around 5 a.m., Neuberger switched functions and began serving customers arriving for breakfast.

At 8:21 a.m. Theurer clocked out. Twenty minutes later, while driving home on a two-lane roadway — with a posted speed limit of 50 miles per hour — his car drifted across the median on a curved portion of the road and collided with an oncoming vehicle driven by Faverty.

Because Oregon law empowers juries to set and award damages, no monetary claims accompanied the filing.

Neuberger said that although this was the first instance in which a restaurant was found liable for an accident caused by an employee's lack of sleep, such cases have been brought against other types of businesses.

Applebee's plants some seeds for future growth

by Peter O. Keegan

KANSAS CITY, Mo. — After suffering a traffic slowdown at the end of 1990, Applebee's is taking several steps to regain the sales momentum that made it one of the industry's most talked-about operations last year.

The dinner-house chain is eyeing a new array of healthful menu items while experimenting with a larger restaurant prototype that could generate higher unit sales.

In addition, the franchisor is seeking to continue its growth binge by entering a number of new markets, including California and the Pacific Northwest.

"Applebee's will seed a lot of new markets [with company stores]," Applebee's president, Abe Gustin Jr., disclosed during the recent Wertheim Schroder financial conference in New York. He explained that the restaurants would be sold to franchisees once the units are running smoothly.

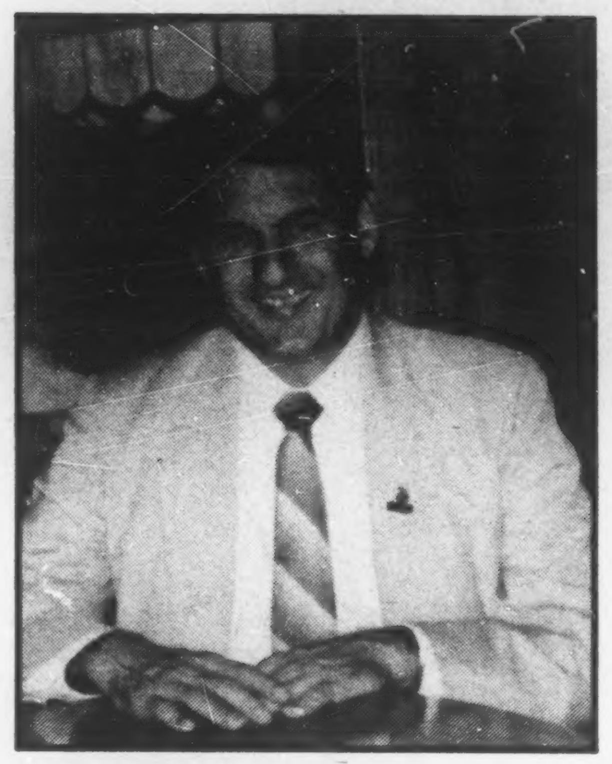
Several industry veterans were recently hired to help the chain grow.

Applebee's opened 53 units in 1990, finishing the year with a total of 166 stores. The rapid-fire growth raised systemwide sales by 55 percent, to $218 million.

"The restaurants that opened during 1990 generated greater revenue and gross sales revenues than units opened prior to 1990," explained Tim O'Halloran, vice president of finance.

However, he added, "we noticed a slowdown in same-store sales by the end of the year," when the recession hit with a wallop.

Overall, Applebee's unit sales average rose by 2.5 percent, to $1.68 million, during 1990. O'Halloran admitted that part of the gain came from price increases by franchisees.


Abe Gustin Jr.

Nevertheless, the increase helped buoy the franchisor's 1990 revenues to $38 million, an increase of 28 percent.

Profits for the year totaled $2 million, compared with a loss of $47,000 for 1989.

During the final quarter of 1990, profits fell 14 percent, to $391,000, on a 17-percent rise in revenues, to $10 million.

Company officials warned that the recession might continue to stunt Applebee's growth in 1991.

"It's too difficult to predict when a franchise will open," said vice president and general counsel Bob Steinkamp, explaining that financing is harder to obtain in the current economic climate.

Steinkamp explained that the company had fallen short of projected openings in 1990, upsetting financial analysts.

"Expectations for 1991 have already come down, and there's a good chance that they may come down further," said Barry Stouffer, an analyst with J.C. Bradford in Nashville, Tenn. He added that he may further downgrade his 1991 earnings estimate for Applebee's a second time.

Applebee's is attempting to improve its performance in part by adding more healthful products to its menu.

"We currently have eight new Eat Light-Eat Healthy items [in test]," Gustin said at the Wertheim conference. "We have a 6-percent-to-8-percent increase in comp[arable-store] sales wherever we're selling those items."

Moreover, unit sales will get a boost when the chain raises menu prices by 1.5 percent when it changes its bill of fare later this year.

Applebee's is also testing a new 185-seat prototype, which can generate higher gross sales than current formats do. Currently Applebee's units range in size from 4,000 square feet, seating 123 customers, to 4,900 square feet, according to Gustin.

"We can build substantially more restaurants because of the size," he said at the Wertheim conference.

The franchisor recently hired a number of new executives for the purpose of helping the chain grow to its target of 1,000 units.

Kenneth Hill, who is a veteran of several casual dinner-house organizations, was recently named executive vice president and chief operating officer.

Training and development expert Ronald Reck has appointed human resources vice president.

Stuart Waggoner, a TGI Friday's alumnae, has been named vice president of franchise operations.

FOOD PRICE OUTLOOK

High beef, veal prices continue

by Patt Patterson

Beef and veal prices continue high, although some observers say beef prices should drop when the overloaded feedlots start moving cattle to market. Feedlot population is up, but slaughter is down. Consumer demand, which ultimately sets red meat prices, would normally be expected to fall off on such high prices, causing the distribution pipeline to back up and prices to temporarily drop. That's not happening, even in this recession period.

Consumers have cut back on beef consumption, and the conjecture is that most of those buying can afford the higher prices. So the usual seesaw effect isn't occurring. When beef shipments will rise to push prices down is anyone's guess, but some say midspring. Even that drop won't be prolonged, however, because feedlots are said to have been cutting back on buying feeder cattle.

Process-fed veal prices, although still high, are somewhat depressed, mainly because high- end restaurants that are the main customers of this "milk-fed" veal aren't buying as much. Expect prices to move back up again in September if the recession ends by this summer, as many analysts predict.

Broiler prices continue lower than last year's at this time. Production continues to build somewhat faster than demand, which is also increasing. Frozen cod stocks are depressed, with prices running almost 50 percent higher than those of last spring and no relief in sight. Pollock, flounder and haddock inventories are also down sharply, and prices are higher, with the same dismal outlook.

California vegetable producers say production will be normal, despite drought. Heavy rains in March boosted most reservoir levels to a two- to three-year supply. The drought effects aren't over, but the outlook for the 1991 growing season is very positive, growers say. Expect strong lettuce, tomato, broccoli, celery, onion, and carrot production.

FACT FILE

Dining out across the country

Those who:	Region			
	South	West	East	Midwest
Bring home take-out food	86	91	98	95
Eat at family-style restaurant	91	94	96	95
Eat at fast-food restaurant	91	92	96	97
Eat at dinner restaurants	88	93	97	98

Source: Research Advantage Inc., Hawthorne, NY

FINANCIAL DIGEST

TW may give stock if debt is unstructured

SPARTANBURG, S.C.— TW Holdings Inc., parent of foodservice giant TW Services, has agreed to give 4.8 million shares of its common stock to a bank syndicate if the company is unable to refinance the outstanding principal of its debt by June 6.

The issues would represent about 4.4 percent of TW Holdings' total common shares outstanding. As of Dec. 31, 1990, TW owed the syndicate about $150 million. The agreement, which is detailed in the company's annual report, said TW Holdings is continuing to investigate alternative financing transactions.

TW Holdings' total debt load is about $2.4 billion. Its sole holding, TW Services, operates the Denny's, El Pollo Loco, and Quincy's chains in addition to Canteen Corp., a large contract feeder, and about 400 franchised Hardee's units.

A TW spokesman said the stock distribution had been part of the company's credit arrangement for about two years.

Operating costs cut into Sizzler's net

LOS ANGELES — Sizzler Restaurants' net profits for the quarter ended Feb. 3 declined 27 percent, to $3.6 million, despite a 6.5-percent gain in revenues, to $101.5 million.

The company said higher operating costs and discounting adversely affected earnings. For the 40-week period, net income dropped 18 percent, to $14 million, on a 13-percent gain in revenues, to $276.9 million.

Sizzler's operating costs increased after the chain reacquired the Chicago market from a franchisee as a result of a court battle. "The recent reacquisition of the Chicago market continues to be very costly," said Thomas L. Gregory, president and chief executive officer.

Rax's losses mount in second quarter

COLUMBUS, Ohio — Weak sales and intense discounting deepened Rax's losses and depressed revenues in the second quarter ended Jan. 28 despite the company's attempts to financially restructure itself and secure new owners.

For the three-month period, Rax's losses grew to $5.2 million, on a 29-percent slump in revenues, to $18.1 million. In the year-ago quarter, Rax lost $1.8 million.

At the half-year mark, losses tripled to $6.8 million on a 25-percent drop in revenues, to $39.5 million. Much of the decline in revenues is related to the company's closing of 44 restaurants in Louisiana and Florida. Those units generated $5.6 million in revenues and losses of $1.9 million in 1990.

"While store closing were the major factor behind lowered sales on a quarter-to quarter comparison, sales at Rax's company-owned restaurants fell by approximately 7.5 percent," said Ira A. Hermann, president and chief executive officer. "There are two reasons: the softened economy overall and our industry's reaction to it, discounting."

The company is moving forward with a plan to change its ownership. An investment group led by Donald A. Karas, a director, has agreed to acquire 70 percent of the company's equity.

Wendy's issues bonds to fund expansion

COLUMBUS, Ohio — Wendy's International said it plans to use the proceeds from a $70 million bond offering to pay off some high-interest long-term debt and build new stores.

In a registration statement with the Securities and Exchange Commission, Wendy's said the convertible subordinated debentures will come due in the 2006. First Boston and Smith Barney Upham are the lead underwriters of the offering.

The company recently disclosed that it plans to resume expansion after all but halting new development in recent years, when the operation struggled to engineer a turnaround. Besides using the proceeds to build new units and retire, Wendy's said it would earmark some of the funds for general business purposes.

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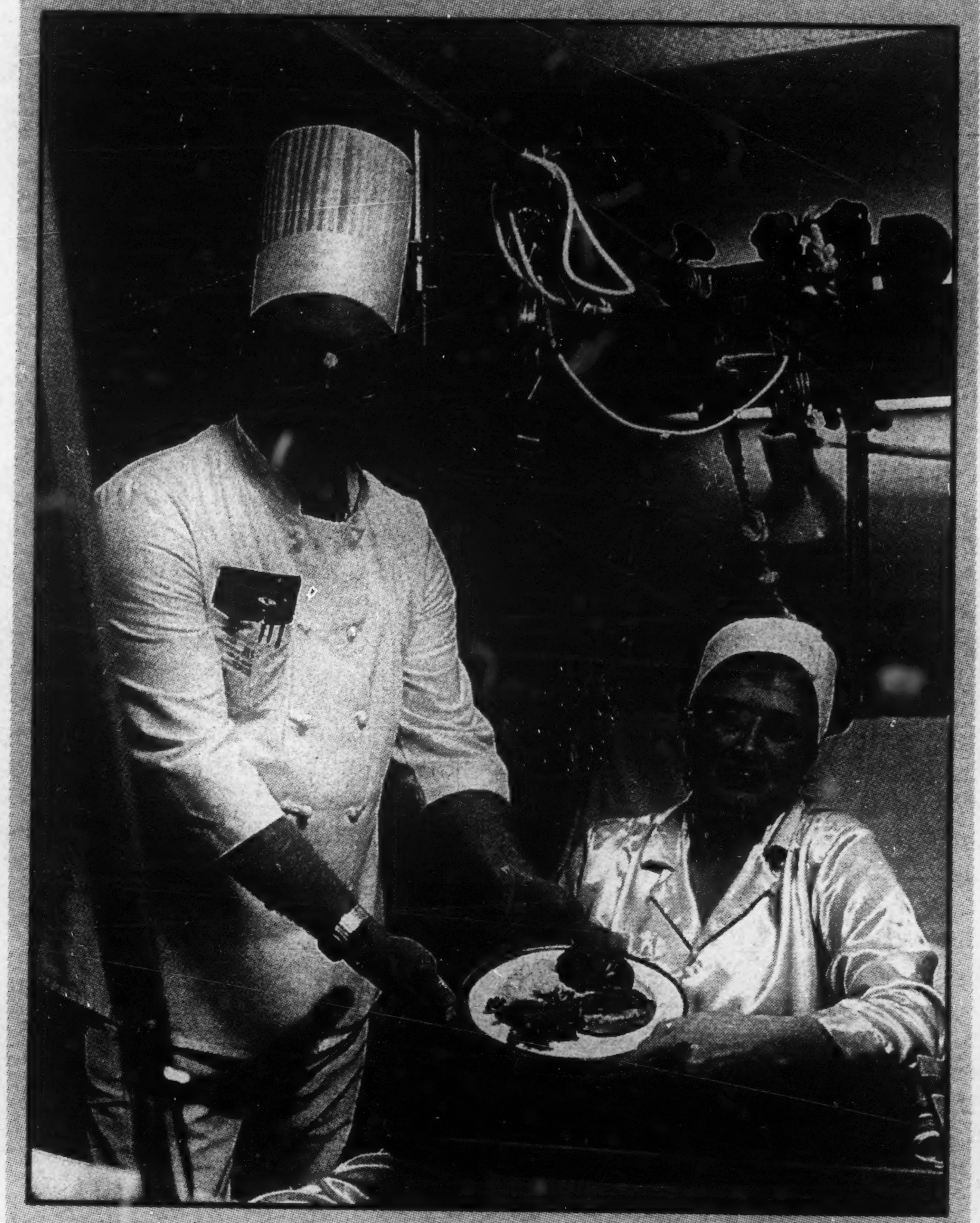


Good bedside manners

Health-care feeders take on commercial restaurants with gourmet menus, paying more attention to making food both healthful *and* tasty. See Segment Special on pages 25-28.

Copeland files Ch. 11 for Popeyes, Church's

Popeyes franchisees rally behind founder at confab

by Peter O. Keegan

SAN ANTONIO, Texas — Just days after Popeyes licensees rallied in support of leader Al Copeland, the New Orleans entrepreneur filed for Chapter 11 bankruptcy protection for his giant 2,000-unit chicken empire after eleventh-hour legal maneuvering failed.

Copeland was left with almost no option but to voluntarily file for protection after a judge denied his motion to throw out a petition by chief lenders.

Copeland sounds off
Page 21

Merrill Lynch & Co. and a group led by the Canadian Imperial Bank of Commerce had petitioned the San Antonio court to order Copeland into involuntary Chapter 11 after a marathon of negotiations broke down. At issue was more than $400 million in debt and interest payments stemming from Copeland's acquisition of Church's two years ago.

The Popeyes and Church's fried-chicken chains will continue to operate as the company reorganizes, and Copeland will remain chairman of Al Copeland Enterprises — at least until any further ruling by the bankruptcy court. The court ordered the company to give vendors priority for payment.

ACE said it is continuing to negotiate with its lenders over "long-term financing arrangements and to reach a consensual reorganization."

In the filing, ACE listed assets of $423.3 million and liabil-

(See COPELAND, page 60)

Popeyes rolls new items

DALLAS — Despite the problems facing Popeyes' franchisor, the chain is continuing to move forward with several new products and a new scaled-down building format.

During the 15th Annual Popeyes Franchisee Conference here, licensees sampled such test items as a new skinless fried chicken, onion rings, chicken tacos and fruit salad.

They also got a chance to inspect a portable double-drive-thru prototype that was set up in the parking lot of the Loews Anatole Hotel, where the four-day meeting was held.

Franchisees have grumbled in the past that Popeyes has not rolled out enough new products. They have also criticized the items that were added, alleging that products like last year's ill-fated seafood gumbo were not suited to a fast-food format.

Puck plans to make waves with opening of Granita

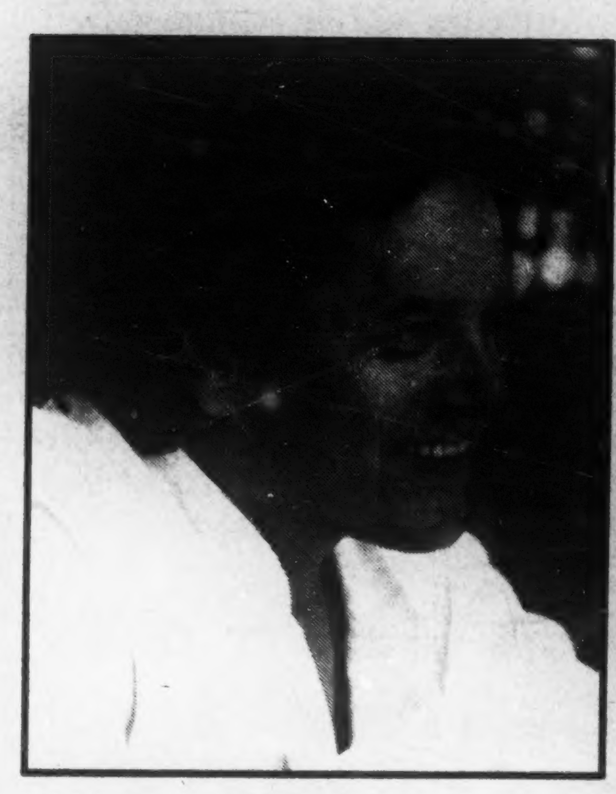
by Richard Martin

MALIBU, Calif. — Foodservice trendsetters Wolfgang Puck and Barbara Lazaroff are bringing a taste of the Mediterranean, a dash of Italian rusticity and a "wave" of curvilinear elegance to the shopping center here where their latest restaurant, Granita, is slated to debut in June.

Catering to the well-heeled residents of this exclusive coastal suburb north of Los Angeles, the 140-seat Granita will serve lunch, dinner and weekend brunch at prices considered modest by Malibu standards.

By positioning the restaurant to more frequently feed the Malibu folk who are among the most avid fans of the couple's West Hollywood flagship, Spago, Puck and Lazaroff would expand the renown enjoyed by their other Los Angeles restaurants, Chinois on Main and Eureka.

"Now, Malibu can be famous not only for its exclusive beach homes but also for its restaurants," remarked Puck, whose backers in the $2 million Granita project include such Malibu residents as superagent Michael Ovitz and comedians Bob Newhart and Don Rickles.



Wolfgang Puck

Barbara Lazaroff

Puck said Granita's Mediterranean-inspired cuisine will reflect the restaurant's location near — if not within sight of — the ocean. "A restaurant has to

(See PUCK, page 60)

Cajun Joe's launches programs to spur sales

by Peter O. Keegan

ALLSTON, Mass. — The Cajun Joe's chicken chain has launched a flock of new programs to boost sales and appease franchisees who say they are being throttled by disappointing sales, high operational costs and insufficient support from the home office.

"Sales volumes are definitely a problem," admitted Cajun Joe's co-president, Joe Barrett. "If you improve sales volumes, then you eliminate a big part of the problem."

Toward that end, the 118-unit chain is teaming up with a major soft-drink supplier to issue a how-to manual for boost-

(See CAJUN, page 61)

CAJUN JOE'S
FRIED CHICKEN & BISCUITS

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How to lose patrons without really trying
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Vol. 25, No. 16 April 22, 1991

NEWS BRIEFS

Sales rose; food costs moderated, March reports say

WASHINGTON — Sales at the nation's eating and drinking places rose year-over-year by a sluggish 2.1 percent in March, but inflation of wholesale food prices came to a near halt, with prices increasing by just 0.6 percent, according to government reports.

Taken together, the two gauges show that the recession tightened its grip on the economy, according to analysts.

March's slim improvement in restaurant sales — as measured by the Commerce Department's retail sales report — came after a vigorous boost in February, when eating and drinking places posted a 4.8-percent advance in volume on an annual, unadjusted basis. In January sales at restaurants rose 3.3 percent.

Meanwhile, menu prices rose 3.6 percent on a year-to-year basis in March, the third consecutive month that the annualized rate slowed, according to the Labor Department's consumer price index.

Taco Bell expands value menu with 5 new chicken items

IRVINE, Calif. — Taco Bell has expanded its array of bargain-priced menu selections by adding five chicken items priced at less than $1.

For 79 cents patrons can now have a chicken taco served in either a hard or soft tortilla.

Priced at 99 cents are the 3,300-unit chain's new chicken burrito, chicken tostada and chicken MexiMelt, a mixture of chicken meat, salsa and cheeses wrapped in a soft tortilla.

Taco Bell, a subsidiary of Pepsico, sparked a revolution in the fast-food industry when it introduced a separate menu of items priced at less than $1. The move pulled customers away from a number of other fast-feeders, spurring many to resort to wholesale discounting.

In February the chain extended its value menu with the introduction, in three markets, of three snack-sized tacos and burritos selling for 39 cents each.

Marriott sends costly apologies to Dodger fans

LOS ANGELES — Following an uproar of complaints about congested snack-bar lines, snail-paced service, smaller peanut portions and a switch from grilled to steamed Dodger Dogs, Marriott Corp. has mailed apologetic letters and $5 in scrip to the 27,000 holders of Dodger Stadium's season tickets.

Separately, a petition drive by irate fans got the ballpark's new concessionaire to rescind a ban on throwing by peanut vendors, including famed behind-the-back pitcher Roger (The Peanut Man) Owens, whose clientele includes fans who prepay for the entire season.

Marriott, replacing 29-year veteran Arthur Food Service of Los Angeles, debuted at the stadium this season after spending $10 million to refurbish snack bars and install Pizza Hut, Taco Bell, Carl's Jr. and TCBY yogurt franchises. Only generic stands and two Jody Maroni gourmet sausage outlets were ready by opening day, when disgruntled fans learned that hot-dog grills had been permanently replaced by steamers.

Horn & Hardart shuts last Automat, ending an era

NEW YORK — Horn & Hardart Co. ended an era recently when it closed the Automat at the corner of 42nd Street and Third Avenue here — the last of its kind in the country.

The 42nd Street operation, which made its debut in 1958, was one of more than 40 Automats that the company opened in the New York and Philadelphia areas after Joseph Horn and Frank Hardart developed the coin-operated, waiterless concept in 1902. At their peak in the 1940s and 1950s, the chrome-and-glass Automats served nearly 1 million meals a day. The wall of one of the original Automats has been preserved at the Smithsonian Institute in Washington, D.C.

Horn & Hardart has been selling off its formerly diverse restaurant empire to concentrate on its mail-order business. In March H & H divested its last major foodservice element — International King's Table, an 83-unit, buffet-style restaurant chain operating in five Western states.

Ground Round's parent raises possibility of uncoupling chain

WOODBRIDGE, N.J. — After posting a $13.2 million loss for 1990, the parent of Ground Round said it is studying the feasibility of spinning off the dinner-house chain as a separate entity.

GR Foods said that it is also meeting with financial advisers to discuss other, unspecified options.

The company, formerly known as International Proteins, bought Ground Round in 1989 from Hanson Industries. The concern is also a supplier of packaged foods and agricultural supplies.

GR's 1990 losses compare with a 1989 deficit of $878,000. Revenues rose 180 percent last year, to $288.5 million.

New Orleans' woes claim LeRuth's as a casualty

NEW ORLEANS — LeRuth's, one of the area's most famous restaurants, has closed its doors after 26 years.

New Orleans' weak economy and sagging convention business were cited as key factors in the closing.

Located in Gretna, La., across the Mississippi from New Orleans, the restaurant was founded by Warren Leruth, who sold it to his sons, Larry and Lee, in 1982. Lee Leruth died in 1989 from an apparently self-inflicted gunshot wound. His widow, Torey, has operated the restaurant with her brother-in-law since then.

In addition to other awards, LeRuth's was given a five-star rating by the Mobil Guide in 1977.

Jack in the Box rolls 3-year plan to cut waste 15%

SAN DIEGO — Jack in the Box, Foodmaker's 1,040-unit, fast-food chain, has rolled out programs to conserve natural resources and cut solid waste by at least 15 percent by 1994.

Darren Blass, the chain's environmental affairs manager, said lighter-weight carryout bags would annually save 500,000 pounds of paper, equivalent to 4,250 trees. Another 2,000 pounds would be conserved through modifications to drink-cup cases, he added.

By ordering alterations to ingredient packaging, Blass said, this year the chain will prevent 600,000 pounds of material — equal to 1,000 cubic yards — from entering the waste stream. He said a total of 1 million pounds have been eliminated since cutbacks began in 1989 and added that four plastic foam containers still used by the chain for food packaging will be phased out.

"It only makes sense, on some of these things, that [conservation] is going to drop prices [of supplies], but that's really a secondary consideration," said Foodmaker chairman Jack Goodall, stressing the company's commitment to environmental protection.

Schultz joins Gladstone's firm as prexy, COO

LOS ANGELES — Robert W. Schultz, a veteran senior executive at major investment, finance and acquisitions firms, has been named president and chief operations officer of California Beach Restaurants here, the parent company of the high-grossing landmarks Gladstone's 4 Fish and R.J.'s the Rib Joint.

He replaces Richard S. Stevens, who resigned from the company in February. Schultz was president of Cushman Equities Corp. for the past six years and is a general partner of two firms that together own 11.8 percent of California Beach's publicly traded shares.

Schultz was formerly a first vice president in the corporate finance department of Bateman Eichler, Hill Richards Inc. Before that he was West Coast manager of Peat Marwick & Co.'s acquisition advisory services.

Robert J. Morris, the founder of Gladstone's and R.J.'s, remains California Beach's chairman and chief executive.

FINANCIAL NEWS

Morrison profits jump; growth seen for 4th Q

by Jack Hayes

MOBILE, Ala. — After reversing an 18-month profit slide by slashing administrative and operating costs, Morrison Inc. is expected to keep its turnaround alive by converting several unprofitable buffet units and reaping a payoff from its newest casual restaurants.

Buoyed by Morrison's latest earnings report, showing a gain in quarterly net income for the first time since November 1989, most analysts who follow the 70-year-old operation are cautiously upgrading their investment ratings and revising predictions for the company's final quarter, which ends in June.

Morrison logged third-quarter net income of $7.4 million for the three months ended March 2 — up 33 percent from the $4.9 million earned a year ago. However, last year's net income was reduced by an investment loss.

Meanwhile Morrison's third-quarter revenue jumped 8 percent, to $247 million, from $228 million.

Nine-month net income — which at $17.9 million was even with the year-ago period — was earned on revenues of $720 million, an 8-percent jump over last year's $665 million.

"I think the company deserves another look," said analyst Craig Weichmann of Memphis, Tenn.-based Morgan Keegan & Co., elaborating on a recent bulletin.

In the report Weichman predicted fourth-quarter profit gains for Morrison's 169-unit family dining (cafeteria) division and its 176-unit specialty restaurant division, which has Ruby Tuesday, L & N Seafood Grill and Silver Spoon Cafe.

The company also operates Morrison's Custom Management, a major contract feeder. The division is attempting to bolster its profits by pruning unprofitable accounts from its customer roster.

> Morrison is plotting more aggressive penetration of the hot casual-dining niche beyond the current year.

Weichmann sees the specialty restaurant group chalking up better profits as a result of traffic growth spurred by competitive menu prices.

The family dining division's earnings will also improve, he said, because promotional spending is being slashed.

"Margins were hurt by heavy discounting which is unlikely to be repeated," added Steven Rockwell of Baltimore-based Alex. Brown & Sons Inc., in a separate bulletin. Thus cafeterias could post higher year-to-year operating income even on flat or slightly lower sales, Rockwell holds.

Meanwhile, Morrison is plotting more aggressive penetration of the hot casual dining niche beyond the current year. Based on cash flow, Morrison could open 31 new casual units in fiscal 1992 compared with the 34 restaurants opening this fiscal year, according to senior vice president Richard McGeoch.

And the company may get an assist from consumers if the nation's economy also begins a turnaround this month, as predicted by top economists — including Donald Rataczak of Georgia State University, who is a member of Morrison board of directors.

"The [specialty restaurant group's] margins got crippled this year owing to the flurry of openings," added Weichmann, claiming that Morrison accelerated its already brisk 20-percent expansion rate to a breakneck 30 percent, opening 22 stores alone in the first half of fiscal 1991.

"New restaurants net only 3 percent the first year," Weichmann continued, adding that as opening expenses get amortized, margins gradually improve to 12 percent and 14 percent.

But there is a question abouthow long Morrison can hold down menu prices in the specialty restaurant division. The deliberate strategy is to position its three casual concepts strongly around value.

Yet in addition to holding prices at Ruby Tuesday and Silver Spoon Cafe, Morrison opted to scale back its check average at L & N Seafood Grill by adding lower-priced menu items.

"They wisely took the reverse tack of many of their competitors," Weichmann argued. "They lowered the check average by $2, and they're reaching the broader market."

However, in the family dining division Morrison passed along a 1-percent hike in menu prices on March 1 to offset the April 1 minimum-wage increase.

But analysts aren't won-

*(See **MORRISON**, page 53)*

FACT FILE

Who's drinking what?

Those who drink:	Total	Men	Women
	(in percentages)		
Fruit juices, drinks	93	94	93
Carbonated beverages	91	90	92
Alcoholic beverages	66	77	56
Caffeinated coffee	65	68	61
Decaffeinated coffee	47	47	48
Bottled wate:	55	56	53

Source: Research Advantage Inc., Hawthorne, NY

FINANCIAL DIGEST

Hotel venture erodes Family's earnings

NEPTUNE BEACH, Fla. — Family Steakhouses of Florida's gamble of diversifying into the hotel business has backfired with devastating results on its earnings.

Operating and investment costs associated with its struggling Rustic Inn hotels, a joint-venture arrangement, squeezed earnings for the fourth quarter and blew profits away for the year. Family's core business is a 26-unit group of Ryan's Family Steak Houses.

For the fourth quarter ended Jan. 2, the company lost $880,000 on a 2-percent drop in sales, to $11.1 million. For the year earnings fell 91 percent, down to $150,000, even though sales grew by 5 percent, to $48.1 million.

The drain on earnings has forced Family Steakhouses to bail out of the Rustic Inn with a write-off of its investment, a $454,500 after-tax charge for the quarter and a $556,500 after-tax hit against earnings for the year.

A year ago the company made $92,300 for the year and chalked up quarterly earnings of $1.7 million.

In addition to the expenses related to the Rustic Inn, company executives said the Middle East military deployment depressed restaurant volume.

"Our investments in the Rustic Inn joint venture has not fulfilled its potential," said James W. Osborn, president and chief executive officer. "The continuing operating losses and cash requirements have created a drain on both resources and our management's attention.

"We entered into the joint venture on the basis that our partner would manage the expansion of the Rustic Inn throughout the state without requiring a diversion for the Family's management team."

But Osborn said a turnaround is currently under way.

Bass PLC to hold first U.S. public offering

LONDON — For the first time in its 200-year history, Bass PLC, parent company of Holiday Inn Worldwide, will attempt to raise capital through a public stock offering in the United States.

The company plans to raise $975 million, about 71.3 million shares, to help pay for the hotel's restructuring and pub and brewing operations in England.

Until now, Bass had relied on debt and internal cash flow to pay for company expansion.

Bass bought Holiday Inn last year and moved the corporate headquarters to Atlanta. It has restructured Holiday Inn in a move to reduce operating costs.

Oil processor buys 24 Stop'N'Go units

HOUSTON — Diamond Shamrock, a diversified oil and chemical processor, has bought 24 Stop'N'Go retail gasoline and convenience stores from National Convenience Stores.

Terms of the transaction were not disclosed, but NCS said the proceeds would be used to reduce bank debt and improve the company's liability-to-asset ratio.

"This sale represents another step toward our strategic objective of focusing on our asset base by building major positions in certain markets and withdrawing from other markets where we are less important," said Peter Van Horn, president and chief executive of NCS.

Of the top three convenience store chain operators, NCS is the only one that has avoided bankruptcy.

Southland Corp., operators of the segment's largest chain, 7-Eleven, emerged out of Chapter 11 two months ago, while Circle K, the second-largest segment operator, has been in Chapter 11 since last Spring.

PoFolks buys 6 Houston units

NASHVILLE, Tenn. — PoFolks Inc. has bought six franchised units in the Houston market from F.G.F. Partners, ending the licensee's relationship with the chain.

Noting that Houston is one of the chain's strongest markets, PoFolks indicated that the acquisition could add $6.5 million to its top line.

"This acquisition places PoFolks in a strategic position to complement its growth in the Western U.S.," said John Scott, president.

With the new units, PoFolks operates 42 of the system's 133 outlets. It franchises the rest.

FOOD PRICE OUTLOOK

Egg, asparagus prices lower

by Patt Patterson

Egg prices are running as much as 20 percent lower than last year's at this time, mostly because of the earlier Easter this year. Expect them to firm up a bit over the next few weeks. Producers are keeping pretty tight reins on production, with flock size being held close to demand.

Asparagus from California is in good supply, and prices are trending lower. The Christmas freeze did not affect asparagus plants, which were in their dormant stage. Both Sacramento Valley and Monterey County are reporting good production and quality.

Green coffee beans, after a runup in mid-March, seem to have settled down. Reports that Brazil was going to agree to world quotas set by the International Coffee Organization caused the flurry in pricing, but the short- to medium-term outlook is for supplies to remain at more than adequate levels. High-quality grades remain at a premium, as they have for several years.

Demand for **cod** continues to outpace supply, with stocks at their lowest in recent history, and the prices at their highest. The strong demand from foodservice has pushed up prices of other fish used as alternatives. **Pollock and haddock** are running far ahead of last year's prices. With catches down and European and Asian demand strong, no relief is seen in the immediate future.

Export demand for feed grains is lagging, and this may mean lower prices for them here. If so, prices of feeder cattle could moderate by summer. But the underlying cause of high beef prices is the failure of ranchers to increase herds. Feeder cattle prices are at record highs, although many feedlots are said to be crowded with animals more than ready for market.

Broiler prices are well down from last year's at this time. Increased production and more stable demand are said to be the reasons. Producers continue to project small increases for the months ahead, which should hold prices stable at these lower levels.

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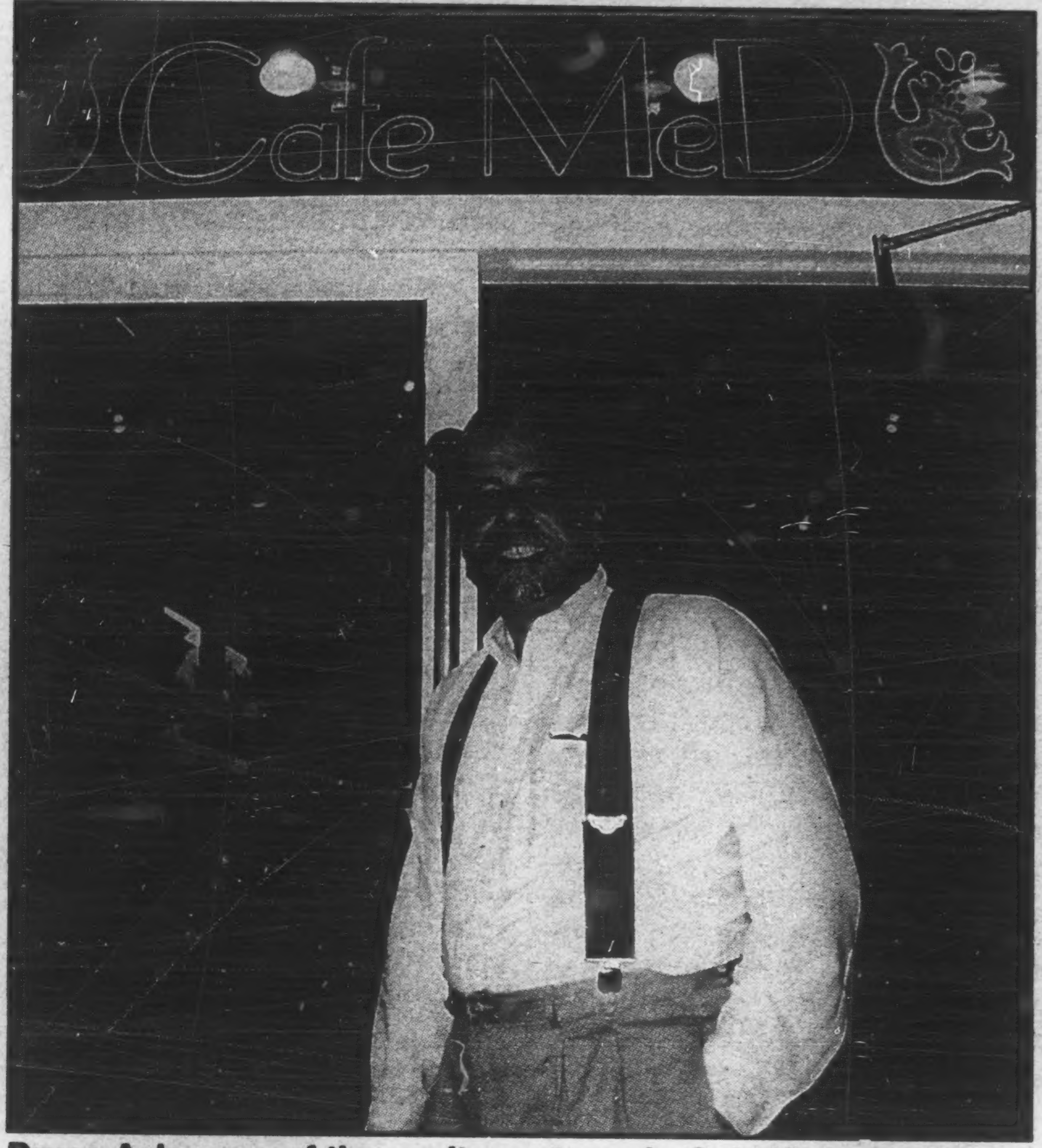

Bruce Axler, one of the equity partners in Cafe Med, outside the Mediterranean-themed restaurant in Coconut Grove.

Bice explores casual Italian with Cafe Med

by Jack Hayes

MIAMI — Hungry to carve out a slice of the growing casual Italian segment, New York-based Bice, a multiunit operator of Italian restaurants, has launched Cafe Med, a hybrid Mediterranean-themed concept in this city's trendy Coconut Grove.

With a menu emphasizing pizza, pastas, sandwiches and desserts, the wood-and-ceramic-tiled operation is the prototype for units scheduled to open this year in Atlanta, Orlando, Fla., Chicago and Cleveland, according to managing director Bruce Axler, formerly general manager of New York's Tavern on the Green.

(See CAFE MED, page 57)

Pizza Hut licensee suit spurs DC scrutiny

Hispanic Caucus examines PMI battle

by Milford Prewitt

WASHINGTON — Disturbed by Pizza Hut's intentions to disenfranchise the chain's second largest licensee, the congressional Hispanic Caucus has asked Pepsico to provide detailed information about Pizza Hut's relationship with minority franchisees.

Caucus members are also calling for a hearing, under the auspice of the House small-business committee, to begin exploring the track records of minority businessmen as franchisees of giant companies. Two of the 12 members constituting the Hispanic Caucus sit on the small-business committee.

Congressmen said the catalyst for such a hearing is Pizza Hut's lawsuit against Pizza-Management Inc., a San Anto-

(See CAUCUS, page 7)

McDonald's launches McGreening drive

With environmentalists' help, McD's plans to reduce its trash by 80%

by Milford Prewitt

OAK BROOK, Ill. — McDonald's has unveiled the foodservice industry's most sweeping, environmentally minded recycling and trash-reduction plan, an ambitious, multilayered strategy to reduce its solid waste by as much as 80 percent.

McDonald's Waste Reduction Action Plan is expected to affect all of the chain's restaurants and every aspect of unit operations.

The 42 trash-reduction iniatives, developed in league with the Environmental Defense Fund, are also destined to alter the company's interaction with suppliers, customers, employees and franchisees.

Some of the more significant changes called for by WRAP are the replacement of large, white bleached takeout bags with brown recyclable ones, the conversion to smaller paper napkins, the installation of stainless-steel condiment dispensers to eliminate the need for packets, the composting of eggshells and coffee grounds, and the testing of starch-based spoons, knives and forks as substitutes for plastic versions.

The company took a number of steps before WRAP to lessen the flow of garbage into landfills — and silence environmentalists who have attacked the chain because of its solid-waste output.

Several months ago, at the request of the EDP, McDonald's replaced its polystyrene clamshell sandwich containers with quilted paper wrappings that, unlike plastifoam, biodegrade.

And about a year ago, the company earmarked $160 million for the purchase of recycled materials.

Even as McDonald's begins to implement its environmental plan, it is opposing a group of shareholders who are demanding that the company add a series of environmental and safety principles to its corporate charter.

The group, a coalition of religious groups that collectively own less than 1 percent of McDonald's stock, has proposed that the company adopt a corporate responsibility statement requiring that it practice energy efficiency, minimize health and safety risks to employees, and conduct and publicize an annual audit.

But McDonald's urged shareholders to defeat the so-called Valdez Principles (named after the Exxon Valdez oil tanker), arguing that it was committed to sound environmental practices long before the infamous oil spill and that solu-

(See MCD, page 4)

Wild Bill's rides into LA

Rank Organisation debuts high-volume casual-themers

by Richard Martin

BUENA PARK, Calif. — L.A. Entertains, a dinner-theater arm of London-based Rank Organisation PLC, has debuted here by launching the first of two 800-seat restaurants tailored for high-volume operations near Southern California's busiest theme parks.

Wild Bill's Western Dinner Extravaganza, which charges about $30 per person for a two-hour variety show and a four-course dinner, opened last month a block from the country-style restaurants, Old West streets and thrill rides of Knott's Berry Farm, the nation's third-largest theme park.

The Rank subsidiary's King Henry's Feast, set in a "castle" and featuring a themed, theatrical fantasy of jugglers, magicians, sword fighters and trapeze flyers, is scheduled to open early next year in Anaheim, near Disneyland, the country's second larg-

(See RANK, page 56)

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Vol. 25, No. 17 April 29, 1991

NEWS BRIEFS

Amex agrees to roll back commission rates

NEW YORK — American Express has agreed to lower the fees it charges restaurants that accept its charge card and process the transaction electronically.

However, the company would not disclose the extent of the rollback, which takes effect June 1.

The fee reduction comes after a group of restaurants in Boston threatened to discontinue their use of the American Express card unless the merchants' commission charges were reduced. At the time, Amex said it was already considering a rollback in the rates.

Currently, American Express' merchant fees range from 3 percent to 5 percent.

Burger King airs new 'your way' ad campaign

MIAMI — Burger King has rolled a new advertising campaign, "Your way, right away," confirming long-circulating reports that the No. 2 burger chain was returning to a version of its popular 1970s tag, "Have it your way."

The new ad, which is currently running on television and features the BK Broiler, is designed to impart to consumers that anything on the menu can be prepared the way they want it.

"This is the next phase of our advertising strategy, to focus on products by customizing them for the customer," said Michael Evans, a BK spokesman.

In replacing the controversial "Sometimes, you've gotta break the rules" campaign, the "Your way, right away" spots could improve BK's relationship with its franchisees. Over the past year and a half, many of the licensees had been clamoring for the company to abandon the often-confusing rules campaign.

The man who created the "Break the rules" spots, advertising chief Gary Langstaff, resigned in March.

Bob Evans opens new prototype

MASON, Ohio — Bob Evans has opened its new restaurant concept here, a combination restaurant, bakery and gift shop called Bob Evans' General Store and Restaurant.

The outlet features such old-time items as wood-burning stoves, butter churns and sacks of flour. Home-style country foods highlight the menu.

The company has admitted that the new prototype is similar to Cracker Barrel, a competing family restaurant chain.

However, Bob Evans also notes that the new store is a refinement of a 20-year-old one that Bob Evans Farms operates in Rio Grande, Ohio.

Other new General Stores and Restaurants are scheduled to open within the next year in Breezewood, Pa.; Myrtle Beach, S.C.; and Williamsburg, Va.

Wage hike hurts Ore. employees, survey reveals

CORVALLIS, Ore. — An Oregon State University survey of 316 full-service-restaurant employees found that some workers have been hurt by the recent increase in the state's minimum wage.

About 34 percent of the surveyed workers said their total income had risen since Jan. 1, when the state's minimum wage rose from $4.25 to $4.75, but 18 percent said they were making less money because their employers were scheduling them to work fewer hours.

Almost a quarter of the respondents said they are now required to do more work.

However, the survey was "not a scientific study" because the individuals were not randomly selected. He said the respondents worked at restaurants that belonged to members of the Oregon Restaurant Association.

The ORA is lobbying the state Legislature to adopt a tip-credit bill that would allow restaurateurs to pay tipped employees less than the minimum wage.

Fiori leaves Chi-Chi's

LOUISVILLE, Ky. — Mike Fiori, a driving force behind Chi-Chi's, has resigned as executive vice president of the Mexican dinner-house chain, a division of San Diego-based Foodmaker Inc.

Fiori said he was ready to become president of the 200-unit chain, but Hal Smith, president and chief operating officer, was not ready to relinquish the post.

Smith did not respond to requests for an interview.

"Hal is going to become more involved in day-to-day operations," said Fiori, who said there was no conflict between the two. "I want to pursue a top opportunity elsewhere."

Fiori spent 10 years with the chain.

Baskin-Robbins rolls out fat-free items

GLENDALE, Calif. — Baskin-Robbins Inc. has launched two flavors of a fat-free frozen dessert product at its 2,300 ice-cream shops nationwide.

The Fat Free Just Peachy and Fat Free Chocolate Vanilla Twist products are made with the Simplesse-brand fat substitute, a blend of skim milk protein and cooked egg white. Baskin-Robbins said its new items, at 100 calories per half cup, contain one-third fewer calories than does ice cream.

Sold for the same prices as the chain's regular ice cream, the fat-free items will be displayed in a new "Light Center" freezer area, along with low-fat and sugar-free ice cream.

Rostenkowski says TJTC should not be renewed

WASHINGTON — One of Congress' most influential tax experts has declared his opposition to the renewal of two tax breaks used by restaurateurs.

Rep. Dan Rostenkowski, the Illinois Democrat who chairs the House Ways and Means Committee, said he would resist renewal of both the Targeted Jobs Tax Credit and the deduction of health-insurance premiums paid by self-employed individuals.

Rostenkowski stated his opposition in an interview with The Wall Street Journal held during a recess in hearings convened recently by the Ways and Means Committee.

At the hearings Pizza Hut marketing manager Joseph Froehle testified on behalf of the National Restaurant Association. He urged the committee to consider that 450,000 hard-to-employ individuals were given jobs in the foodservice industry during 1989 because their employers could take advantage of the TJTC. The credit permits businesses to write off 40 percent of the first $6,000 in wages paid to disadvantaged employees from nine categories.

Lawmaker airs plan to finance small businesses

WASHINGTON — The chairman of the House Small Business Committee has introduced a proposal that attempts to put affordable financing within reach of more small businesses, such as restaurants.

Under the plan aired by Rep. John LaFalce, D-N.Y., the government would establish a funding pool administered by a private corporation. The operation would encourage lending to small businesses in part by using its funds to secure loans made by other institutions to small operations.

The same arrangement was used to set up the Federal National Mortgage Association (Fannie Mae), an operation that strives to make mortgages more accessible by purchasing the loans on the secondary market from their issuers.

Lee's rolls test of skinless chicken

NASHVILLE, Tenn. — Following other major segment players, Lee's Famous Recipe Chicken, a division of Shoney's Inc., is testing a new skinless product: Country Lite Chicken.

The new menu item, which contains less fat, cholesterol and sodium than does its regular chicken, is being tested at 39 units in Dayton, Ohio, and Montgomery, Ala.

After a one-month test, the non-frozen chicken dish is expected to be introduced to Lee's 279 units systemwide. In addition to the regular two-piece serving, Lee's Country Lite is available in a three-piece meal, nine-piece only or family pack.

Interest expenses slash Marriott Corp.'s profits

by Jack Hayes

WASHINGTON — An ocean of interest on its unsold hotel properties washed away first-quarter profits for Marriott Corp. despite the company's efforts to slash expenses with administrative staff cuts and other belt-tightening moves.

Recording an 8-percent sales gain, to $1.83 billion, for the quarter ended March 22, up from $1.68 billion in the same 1990 period, Marriott watched net income decline 64 percent, to $10 million, compared with $28 million a year ago.

However, the company's operating income dipped only 4 percent in the quarter, to $93 million, vs. last year's $97 million.

In the midst of a weak real-estate market, Marriott was unable to sell hotels and use the proceeds to pay down loans that were taken to build the properties.

"As the real-estate and capital markets deteriorated, the credit crunch hit them with a vengeance," said Joseph J. Doyle, a New York-based Smith Barney analyst who follows Marriott.

"Basically, the interest expense doubled. Otherwise, their occupancy performance wasn't that bad."

The company acknowledged that its interest expenses for the first quarter were up 82 percent over the 1990 tally. To meet the cost of servicing its $3 billion debt, Marriott reduced corporate expenses with staff pruning and other overhead cuts.

Nevertheless, aside from interest problems, the Persian Gulf war and the recession cut into occupancy rates at all of Marriott's lodging operations except the Fairfield Inn budget motels.

Furthermore, Marriott said that, despite advancing sales and operating income at its contract services division, its Host/Travel Plaza division was hurt by a drop in both business and tourist travel, particularly by a decline in the number of Japanese visitors to the West Coast, during the quarter. The division operates restaurants and retail outlets in airports and highway rest stops.

"The quarter was a pinch better actually than I had expected," said Smith Barney's Doyle. "The second and third quarters will have similar problems, but the last one should see improvement."

Marriott's earnings might be off 30 percent to 35 percent for the year, Doyle added.

The company said it is sitting with at least 100 unsold hotel properties, the majority of which are smaller units, according to Marriott spokesman Terry Souers. The value of those properties is about $1.5 billion, Souers added.

"We feel most of them should be sold by 1992," Souers said. Analysts are in agreement.

The company said cash flow from its core business and assets sales will help reduce long-term debt. More than a year ago Marriott began to sell off its restaurant holdings as part of a restructuring effort to focus on lodging and contract services.

"Marriott proved it was able to swallow assets without going bankrupt. It hurt earnings, of course, but the company still had $225 million in cash at the end of the quarter," Doyle explained.

> "As the real estate and capital markets deteriorated, the credit crunch hit them with a vengeance."
> — Joseph J. Doyle

Still remaining in Marriott's bag of unsold assets are a 1,500-room hotel in San Francisco. In February the company announced deals to sell off another 45 family restaurants — in addition to the 120 Allie's and Big Boy units that were sold to Restaurant Enterprises Group for $65 million.

The company noted that it expects the restaurant transactions to be complete in 1991.

FOOD PRICE OUTLOOK

Pork supplies continue strong

by Patt Patterson

Although **pork** prices aren't at extreme lows, they have fallen with more hogs hitting the market. U.S. Department of Agriculture surveys indicate there are about 2 percent more hogs on the farms than there were last year at this time. It's not a lot but enough to moderate prices as they are marketed.

Domestic ham prices are also down somewhat, both for regular and canned. In self-defense some imported canned ham prices have been lowered, particularly those from Denmark (the largest importer), Yugoslavia and Hungary. Reports indicate that larger deli-size hams are in better supply, with inventories building. If the dollar's exchange rate continues to rise, prices of imports should continue to fall.

Poultry production continues to run ahead of last year's. Broiler prices are down about 6 percent or 7 percent. Demand continues strong and building. Expect stable broiler prices for the next few weeks.

Turkey production is up, but more is going into processed products, reducing supply and demand swings. Processed turkey use in foodservice continues to grow, stabilizing prices.

Egg prices are almost 15 percent down from last year's levels in some regions. Part of this is due to a late Easter last year and an early one this year. Egg prices normally slump for a couple of months after Easter. Production is up slightly from last year, indicating prices may remain at present levels well into June.

With government buying for Desert Storm tapering off, prices of several **canned vegetables** slacked off a bit, especially corn. Supplies of Fancy whole kernels now look as if they'll hold out until the new crop this fall. **Frozen corn** is in fairly good supply, with prices stable to a bit lower on B grade, firm on A. French- fry prices continue lower than last year for both A and B grades.

Avocado supplies will be about the same as last year's, tight but available. Quality is good; prices are high. Availability of **fresh grapes** is expected to drop during May, early June, until California supplies start, and prices are expected to be high until then.

FACT FILE

Who's footing the bill???

(in percentages, how a meal is paid for)

	By sex:			By region:			
Those who:	Total	Men	Women	South	West	East	Midwest
Use credit cards	45	51	38	28	55	49	47
Use coupons/ special deals	64	61	68	55	71	59	72

Source: Research Advantage Inc., Hawthorne, N.Y.

FINANCIAL DIGEST

ShowBiz's 1st-Q net climbs 29%

IRVING, Texas — Lower interest expenses and improved operating margins helped ShowBiz Pizza Time Inc. achieve a 29-percent gain in net income, to $6.2 million, on a 12-percent hike in revenues, to $53.3 million, for the first quarter ended March 26.

The company also said its results were also buoyed by a 1.2-percent gain in comparable store sales and the addition of 15 new company outlets.

The company's Tex-Mex concept, Monterey's Tex-Mex Cafes, posted a 3.2-percent gain in comparable store sales, according to ShowBiz chairman and chief executive Richard Frank.

The company operates 146 of the 268 ShowBiz Pizza Palace and Chuck E. Cheese restaurants. It also operates 27 Monterey's Tex-Mex Cafes.

Southland posts 4th-Q profit of $1.5M

DALLAS — Southland Corp., operators of the 7-Eleven convenience-store chain, overcame a whopping $1 billion year-ago loss to post a $1.5 million profit for the fourth quarter ended Dec. 31.

The company's quarterly earnings release — delayed by its emergence from Chapter 11, a complicated bond swap, and its takeover by a Japanese franchise group — reported that revenues flattened, up less than 0.5 percent, to $2 billion.

For the year Southland's losses narrowed to $276 million, from $1.3 billion for the prior year. Revenues were up 0.7 percent, to $8.4 billion. During the quarter the company emerged from Chapter 11 to complete a complex reorganization plan in which it became 70 percent owned by its Japanese franchisee, Ito-Yokado and 7-Eleven Japan.

Ryan's revenues grow 9%; profits flatten

GREER, S.C. — Ryan's Family Steak Houses said 16 new restaurants boosted first-quarter revenues 9 percent, to $70.5 million, but profits flattened, rising just 0.2 percent, to $5.9 million.

The company attributed the sluggish profit growth to declines in same-store sales. They were down 5 percent for the period.

Customer traffic declined more than 6 percent in January with the outbreak of the Persian Gulf war, but the company recorded improvement in customer visits during the closing weeks of the quarter. While fixed costs consumed a larger portion of revenues, company officials said Ryan's financial structure is sound, pointing out that fact that the company tends to own its land and buildings.

At the end of the quarter, the company operated 142 of the 177 restaurants in the chain.

JB's Restaurants says profits drop 9%

SALT LAKE CITY — JB's Restaurants posted a 9-percent drop in net income, to $259,000, despite a 10-percent gain in revenues, to $27 million, for the second quarter ended March 11.

For the six-month period ended March 11, sales rose 11 percent, to $54.3 million, but profits fell 11 percent, to $466,000.

"The first half of the fiscal year presented some difficult challenges for our company and the industry as a whole," Fred Gonzales, president and chief operating officer, said in a statement. "The Persian Gulf crisis, a declining economy and a continuing competitive market have all had a negative effect on the restaurant business."

At the end of the quarter, the company operated 134 JB's family-style restaurants and four Sbarro units in 10 Western states.

Hilton Hotels' 1st-Q net falls 51 percent

BEVERLY HILLS, Calif. — Poor hotel occupancy rates in key markets led to a 51- percent decrease in the Hilton Hotels' first-quarter net income, down to $12.3 million, on a flat gain in revenues, to $266.9 million, for the period ended March 31.

The company said declines in travel and hotel occupancy levels during the recession and the Persian Gulf war had a particularly damaging effect on the chain's key markets of New York and Hawaii.

"While there are signs the recession may have bottomed out, emergence from the downtown, particularly in the hotel sector, remains cloudy," Barry Hilton, chairman and president, said in a statement.

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Restaurant News
THE NEWSWEEKLY OF THE FOODSERVICE INDUSTRY®

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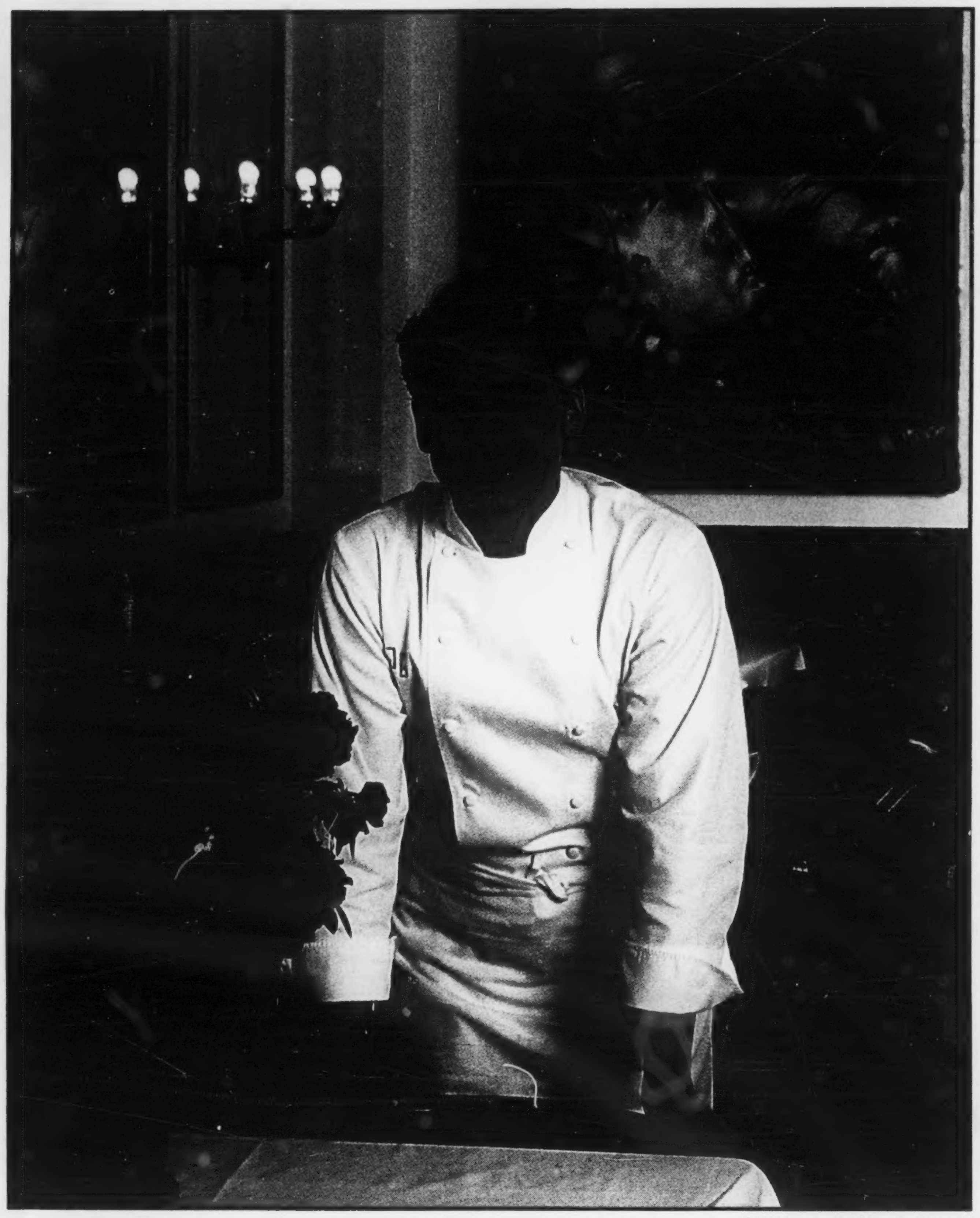


NRN Photo by Stan Godlewski

Jean-Georges Vongerichten in his new Jo Jo restaurant.

Jo Jo marks change for Vongerichten

NY chef opens neighborhood spot

by Paul Frumkin

NEW YORK — The debut of Jo Jo by one of New York's top French chefs, Jean-Georges Vongerichten, signals yet another dramatic shift in the local fine-dining restaurant business.

In opening Jo Jo, Vongerichten has stepped away from the luxury dining segment he had come to exemplify during his five years as executive chef at Restaurant Lafayette in the Drake Hotel to run what he modestly calls "a neighborhood restaurant."

His goal for his 75-seat place, he explained, "is to make it casual, make it easy. I don't want this to be a special-ccasion restaurant. I want people to walk in off the street."

During his tenure at Lafayette, Vongerichten succeeded in transforming the Park Avenue hotel dining operation into one of only a half-dozen four-star New York Times restaurants, all of which are marked by elegant fare, decor, service — and premium prices. In rating Lafayette, The 1991 Zagat New York City Restaurant Survey lauded Vongerichten's cuisine as a "new gastronomic frontier" but in the same breath cautioned readers about its "ballistic prices."

Jo Jo, he pointed out, will be more attuned to the current price sensitivity driving the New York fine-dining scene. As was the case with Lafayette, the 64th Street restaurant — formerly Bar du Théatre — will showcase Vongerichten's cutting-edge style of cooking. But at Jo Jo he has adapted that style to a far more casual setting and at approximately half the price. Whereas Lafayette commanded average dinner checks approaching $80 per person, Vongerichten is aiming for $40 to $45 at Jo Jo.

The structure of his new menu also marks a break from the past. Whereas

*(See **JO JO**, page 169)*

McLean triggers sales, questions

McD licensees enjoy initial traffic surge, ponder long-term outlook

by Milford Prewitt

McLEAN DELUXE™

The McLean Deluxe logo.

OAK BROOK, Ill. — While McDonald's basks in the excitement created by the heavily promoted McLean Deluxe rollout, franchisees and company watchers are less than unanimous about the revolutionary new sandwich's ability to ignite a sustainable domestic sales rebound.

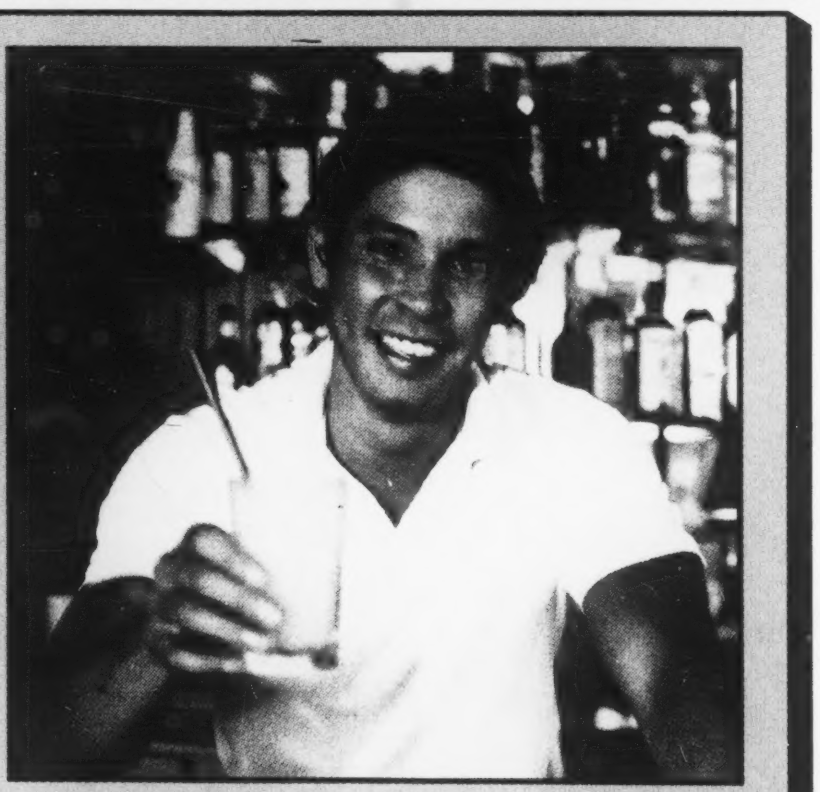
The company would not disclose any figures, but McDonald's operators report that initial sales of the McLean Deluxe low-fat hamburger have been brisk as the curious and nutrition-conscious flock to try the product.

"I really think it's a terrific product, and it is going very well," said Peter Simala, of Alps Management, a seven-unit licensee with 17 years' experience with the chain. "We're giving the customer another choice, and the great thing about it is we are seeing new customers."

*(See **MCLEAN**, page 169)*

SPECIAL REPORT: SURVIVAL STRATEGIES

HOW TO SURVIVE THE '90s



Rejuvenating beverage sales ...... Page 69

Environmental pressures .... Page 69

As the decade's first 17 months have shown loud and clear, the 1990s promise to be the most challenging period ever for the foodservice industry. Operators who seize opportunities will also find it an exciting time.
In this special report Nation's Restaurant News examines several key issues and trends affecting foodservice and illustrates various success strategies. It probes everything from dealing with widespread environmental and health concerns to savvy battle plans for combating an economic downturn.

Special report starts on page 69

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Vol. 25, No. 20 May 20, 1991

NEWS BRIEFS

Food costs slowed in April, government says

WASHINGTON — Wholesale food costs rose a scant 1.8 percent in April on a year-to-year unadjusted basis as the costs of chicken, cheese and dairy products plummeted.

According to the U.S. Bureau of Labor Statistics' monthly producer price index, the finished consumer foods component, or wholesale foods, was the softest in three months. In February the category rose 3.2 percent, and in March it slowed to an increase of 3 percent on a yearly, unadjusted basis.

As has been the case for nearly a year, cheese led the pack of major food groups in year-to-year wholesale price declines, falling 5.8 percent from the year-ago figure. Chicken prices tumbled 4.9 percent, while dairy product prices slid 3 percent.

Pork, which had been among the most inflationary food commodities of the last year, rose just 1.3 percent.

Famous group gets rent cuts

SCOTTSDALE, Ariz. — Famous Restaurants Inc. said landlords have agreed to grant the company rent concessions worth in excess of $11 million.

The struggling operator of the Garcia's Mexican, Casa Lupita and Famous Fish Co. chains said the agreements call for percentage-rent increases if sales rebound. Some of the concessions hinge on the successful completion of debt renegotiations with the company's principal lender, Famous said.

It also noted it would save nearly $1 million a year for seven years as a result of the concessions, with the balance accruing over the remainder of various leases. In February the company disclosed a temporary agreement, lapsing June 30, to defer certain loan payments and increase working capital.

H & H sells King's Table

BELLEVUE, Wash. — Horn & Hardart has sold International King's Table, operator of 80 buffet restaurants in nine Western states, to Heller International.

In announcing the deal, King's Table also indicated that it is launching two new foodservice concepts and has promoted several officers, including president Colin H. Naughton, who has assumed the additional title of chief executive.

"One new concept centers around the 'scatter system' buffet, and the other features 'All American' food at very competitive prices," Naughton said in a statement.

Under Horn & Hordart, which purchased King's Table in the later 1980s, "we have not been able to remodel older facilities or grow because our debt service costs were too high," Naughton said.

Terms of the sale were not released.

Ark Management plans concept for NY's Seaport

NEW YORK — Ark Restaurant Corp., the multiunit operator here of full-service restaurants, plans to open a new operation in the South Street Seaport later this year.

Ark will open in the already finished 12,000-square-foot space formerly occupied by Flutie's, a seafood restaurant that closed earlier this year. The concept of the restaurant — which will offer seating for 600 to 700 persons — has yet to be decided, said Ark president Michael Weinstein.

Ark's joint venture partner in the deal is Rouse Co., the Columbia, Md.-based operator of the Seaport and other festival marketplaces on the Eastern Seaboard. According to Ark president Michael Weinstein, Ark was approached earlier this year by Rouse and asked to open its popular America concept in the space.

Ark already operates America units in Union Station in Washington, D.C., and Faneuil Hall in Boston as well as the original in New York. Weinstein vetoed the idea, though, saying that another America in New York would dilute the concept.

The lease includes the waiving of all common area management charges, Weinstein said.

Ark's other restaurants in New York include Ernie's, Poiret, B. Smith's and K-Paul's.

Plastifoam ban reinstated in NY's Suffolk County

RIVERHEAD, N.Y. — In a major setback in the battle against foodservice packaging restrictions, a state appeals court has reinstated Suffolk County's ban on polystrene food containers.

The measure — the first of its kind when it was passed in 1988 — was overturned by a lower court one year later because an environmental impact study had not been conducted to verify that the act would reduce the strain on landfills. That ruling came in a lawsuit filed by a trade association for the plastics industry.

However, the N.Y. Court of Appeals decided in early May that the Society of the Plastics Industry did not have the legal standing to challenge the plastics ban.

After the Suffolk prohibition was passed, some 30 other counties and municipalities banned plastic-foam food containers within their jurisdictions. However, the number of areas seeking outright bans has decreased in the last year as many places explored other possible solutions to the nation's garbage glut.

THF's Bailey tapped for London post

TRUMBULL, Conn. — Michael Bailey, head of Trusthouse Forte's U.S. contract feeding-operations, has been promoted to managing director of parent company Gardner Merchant Food Services, an assignment that will require his relocation to London.

Bailey's successor as president of Trusthouse Forte Food Services has not yet been named.

The company, based here, now operates 575 facilities in 15 states.

NRA SHOW ISSUE

For full schedule of events at the NRA Show, see page 100

Texas judge strikes down worker's comp reform measure

AUSTIN, Texas — A district judge has struck down the state's worker's compensation reform bill, a measure that the foodservice trade had vigorously promoted in an effort to bridle runaway insurance costs.

The Texas Restaurant Association had been an instigator of the five-year drive to reform the state's worker's compensation system, whose huge losses had driven many insurers out of the state. Many of the remaining underwriters greatly increased their premiums, spurring many restaurateurs to drop their worker's compensation insurance.

At the behest of the business community, the state Legislature curtailed employees' ability to settle compensation disputes in court, where insurers were often ordered by juries to pay claims. The government passed legislation that created a commission to adjudicate most workers' claims and restricted plaintiffs' access to the courts.

Organized labor sued to overturn the 1989 reform law. Agreeing with its contention that the act created an "unreasonable and arbitrary" awards system, state district judge Rey Perez struck down the measure as unconstitutional.

Shareholders okay changing Chili's name to Brinker

DALLAS — Chili's shareholders have voted to change the dinner-house operator's name to Brinker International, underscoring its transformation into a multiconcept concern.

After extensive research, the company decided to take the name of chairman Norman Brinker, one of the foodservice industry's best-known and most respected figures.

FINANCIAL NEWS

Copeland nets big check despite chains' woes

by Peter O. Keegan

NEW ORLEANS — Although Al Copeland Enterprises had a rough year in 1990, struggling under a debt load that has since driven it into Chapter 11 bankruptcy protection, the company's namesake pocketed a whopper of a paycheck.

Chicken king Al Copeland collected more than $5 million last year. That amount included salary, bonuses, royalties from Popeyes' secret recipe; income derived from partnerships in which Copeland himself is a franchisee; and royalties from Diversified Foods and Seasonings, a Copeland-controlled company that provides spices to Popeyes.

In contrast, ACE — franchisor of the Popeyes and Church's chains — posted a net loss of $136 million for the year, almost four times the $36 million lost in 1989, according to the company's 10K filing with the Securities and Exchange Commission.

Although revenues rose 11 percent, to $460 million, for the year, the company explained that the loss resulted from a $94.9 million writedown of its investment in the Church's chain.

Copeland acquired Church's for $398 million in March 1989 and since has been struggling under mounds of increasing debt, which led to the Chapter 11 filing several weeks ago.

A spokeswoman for Copeland was not willing to discuss the chicken mogul's compensation package. Nevertheless, she did indicate that Copeland has reduced his compensation for 1991 to half of what it was last year.

Al Copeland

ACE has defaulted on millions in interest and principal payments due to lenders Merrill Lynch and a group led by the Canadian Imperial Bank of Commerce. The creditors are continuing to negotiate some type of refinancing or debt reduction arrangement with Copeland, who has 120 days to come up with a restructuring plan under federal bankruptcy laws.

Some insiders say they expect a bankruptcy court judge to bring in an outside auditor to review the company's financial situation.

Copeland's 1990 salary of $2.06 million, which he has since decreased to $1 million, included a $900,000 bonus for the year. He also received $2.6 million in royalties from ACE for the use of the secret Popeyes recipe that he invented, while Diversified Foods received $500,000 in royalties for the formula.

Under ACE's bonus plan, the company gave out another $930,000 to company officers as a group.

Two companies controlled by Copeland — four-unit Fast Foods of Colorado Springs Inc. and eight-unit Fast Foods of Amite Inc. — were not required to pay franchise royalties for part of 1990, according to the securities filing. It did not state why the assessments were waived.

The company also agreed to let former president James A. Flynn open five Popeyes franchises without having to pay $125,000 in franchise fees. Former marketing vice president Scott W. Burcham has been permitted to do the same.

In addition, My Favorite Year Inc., a Copeland-controlled entity, executed during 1990 a promissary note payable to ACE in the amount of $3.3 million. Under the terms of the agreement, MYF is obliged to pay principal and interest on the note until it is paid off in 1993.

In December 1990, ACE's board of directors "deferred the payment of both principal and interest on the MFY note for one year," according to the SEC filing.

In addition, it stated, "during 1990, the company made a provision for credit losses of $1.2 million in connection with amounts due from Copeland and related entities, due to items in dispute."

Reasons for the deferments as well as the forgiveness of debt were not spelled out in the SEC filing.

ACE is currently carrying a shareholder deficit of $164.3 million, leading it to conclude that it will not be able to continue as an ongoing concern without a "forgiveness of a portion of the acquisition indebtedness or a substantial injection of equity capital," according to the SEC filing.

FOOD PRICE OUTLOOK

Calif. canned fruit prices move up

by Patt Patterson

At the end of April, at least one California packer raised the prices of **canned cling peaches, fruit cocktail** and **fruit mix** by 50 cents a case. With inventories tight for most packers, you can expect that to become a trend until the new pack comes in. Most packers are still holding the line on **apricots** and **pears**, but that also may change as preliminary crop figures are released.

The outlook for the 1991 crop of cling peaches looks as if it will be smaller than last year's, but firm estimates of the crop size won't be available for at least several weeks. Imports of canned peaches from both Greece and Italy are down drastically, although Chile has increased its canned cling shipments to the United states. Overall, imports are off by abut 70 percent.

The California apricot crop was hit by late March hail, and damage could reduce the canned pack by as much as 10 percent. The state's apricot groves have been shrinking for the past two decades, and average prices have been steadily increasing, held down only by diminishing demand.

Green coffee prices are still running below last year's at this time. Both Brazilian and Colombian beans are in good supply, although top grades from Brazil are a little tight. Everyone is still waiting to see what Brazil is going to do about rejoining the International Coffee Organization quota agreement. Don't expect any changes in price for a while.

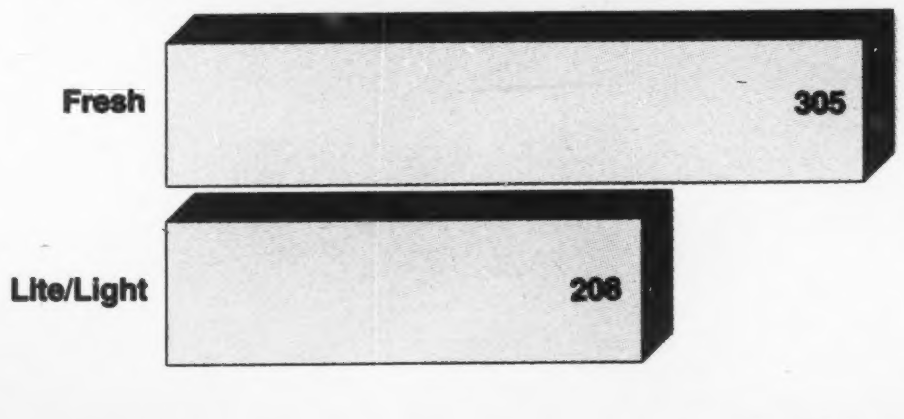
Dry bean prices are beginning to move up. The federal government is buying heavily for overseas as part of relief efforts. Reports of poor crops in Argentina and Chile are leading to speculation that export demand will increase. Expect prices to rise further.

California freezers are having a smaller than usual **spinach** pack this spring. Canners in that state didn't even budget a pack for this season. Eastern packers, both canned and frozen, are reporting average production. It looks as if stocks will be tighter than last year's, with prices rising.

FACT FILE

What's in a label?

Among the approximately 14,500 registered trademarks for packaged food products are quite a few that prominently feature the words 'fresh' or 'lite' in the name:



Source: NameLab Inc.

FINANCIAL DIGEST

TW Holdings loses $43.3M in 1st Q

SPARTANBURG, S.C. — TW Holdings, the nation's fourth-largest foodservice company, lost $43.3 million in the first quarter ended March 31, while revenues slipped by 1.9 percent, to $834,560.

Interest charges related to the company's acquisition of TW Services, the diversifed foodservice and contract feeder, and specific operating and economic factors in each of its division were blamed for the first-quarter loss.

A year ago TW Holdings lost $46.1 million.

With the exception of TW Services, Denny's subsidiary, which turned in a 15-percent gain in business unit profits, nearly all of TW Services' six operating divisions reported declines in both revenues and operating income. The divisions include Hardee's, Quincy's, El Pollo Loco, and the contract feeder, Canteen.

Revenues for Denny's, TW's family restaurant chain, rose by a hair's width, to $335.8 million, but operating income jumped 15 percent, to $28.8 million, making the operation the company's most profitable division. The company cited improved labor efficiencies as the reason for the gain.

El Pollo Loco, the quick-serve, char-grilled chicken concept, reported an $887,000 loss on a 5-percent decline in revenues, to $23.6 million. A year ago the division made a $2.1 million profit. The company said lower customer check averages and fewer patrons were responsible for the division's sluggish performance.

TW Services, Hardee's largest franchisee, said its Hardee's restaurants turned in a 12-percent decline in business unit income, down to $12.9 million, on a 2-percent contraction in revenues, to $117 million. Hardee's was adversely affected by a 6.2-percent drop in comparable-store sales and lower traffic patterns.

The company's steak-house concept, Quincy's, posted a 2-percent gain in operating income, to $6.5 million, on a 1-percent increase in revenues, to $68.6 million. The company said the rollout of a new weekend breakfast program and improved comparable-store sales accounted for the division's slightly improved business performance.

Canteen, one of the nation's largest contract feeder, saw business unit income decease 24 percent, to $7 million, while revenues contracted 4 percent, to $289.4 million. Canteen's performance was marred by layoffs at the operation's industrial accounts, TW said.

Eateries posts profit, vs. year-ago loss

OKLAHOMA CITY — Citing a lower cost of sales and reduced labor and management expenses, Eateries Inc. posted a $34,000 profit for the first quarter ended March 31, while revenues jumped 26 percent, to $3.2 million.

Eateries, which operates and franchises the 30-unit Garfield's Restaurants chain, lost $37,400 a year ago. The company attributed its improved performance to corporate efforts to hold costs.

"Company and franchise Garfields are enjoying both stronger sales and lower costs so far this year," Vincent F. Orza, chairman and president, said in a statement.

Marriott files $500 million shelf offering

WASHINGTON — Marriott Corp. has filed a shelf offering with the Securities and Exchange Commission for up to $500 million in principal due to mature in 2006.

The company said the proceeds from the offering would be used for a broad variety of activities, including debt retirement, general corporate purposes and working capital.

A shelf registration is a kind of debenture that allows qualified companies to secure SEC approval without immediately offering the instruments to the public. Companies can keep the debenture "on the shelf" until interest rates or some other economic or corporate factor favors the company's floating the offer.

With Congress and the Federal Reserve Board fighting over lower interest rates, analysts suspect that Marriott is filing a shelf registration confident that interests rates will soon fall.

Recently Vicorp Restaurants and Hilton Hotel Corp. redeemed debt because of falling interest rates.

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Morrison's knows how to party . . .

While Morrison's Custom Management maintains its focus on institutional and business accounts and exploits nutrition trends, the contract foodservice giant is expanding its venture into the glitzy world of off-premises and event catering/*Segment Special begins on page 27.*

Operators bullish on stock offerings

Hungry for cash, restaurant companies flood Wall Street with IPOs, new issues

by Robin Lee Allen

NEW YORK — Cash-hungry restaurant companies looking to feed on the resurgent postwar stock market have recently flooded Wall Street with initial public offerings and new issues of common stock.

With bank financing scarce and debt loads heavy after the breakneck growth of the 1980s, public offerings have become an attractive method for foodservice companies to raise money needed to lighten balance sheets and fuel expansion.

Au Bon Pain Co. Inc., Bertucci's Brick Oven Pizzeria, IHOP Corp. and Outback Steakhouse Inc. are now awaiting Securities and Exchange Commission approval for IPOs, and all expect to be publicly traded by the end of June. Sonic Corp. made its initial offering in late February.

Spaghetti Warehouse Inc., Brinker International Inc. (formerly Chili's), Uno Restaurant Corp. and Cracker Barrel Old Country Stores Inc. have collectively offered some 4.8 million new shares to the public since February, and Promus Cos., a hotel operator, expects to add 7 million shares to that figure in June.

A strong market coincident with the current credit crunch has precipitated the rush of public offerings, analysts said. The Dow Jones industrial Average has increased 13.9 percent since January.

"It's very difficult to raise bank financing, so companies are looking more closely at raising equity," said Michael Mueller, analyst and managing director of Montgomery Securities in San Francisco. "Since the opportunity is there to sell stock at attractive valuations, they move to take advantage of it."

Once started, a strong IPO market feeds on itself, said Dennis Telzrow, senior vice president of The Principal/Eppler, Guerin & Turner, a brokerage in Dallas.

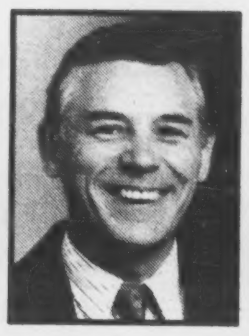
"It generally happens in cycles," Telzrow said. "The IPO market as a whole gets strong,

*(See **OPERATORS**, page 73)*

Jones

Magruder

McDougall



Reimer

Rensi

Roberts

NRN chooses 6 top execs as Golden Chain winners

by Charles Bernstein

NEW YORK — Six Multi-Unit 1991 Golden Chain Operators of the Year have been selected from among leading chain executives by the editors of Nation's Restaurant News. They were named for outstanding contributions to their companies and to the foodservice industry over the past 12 months.

They will be honored at NRN's annual Multi-Unit Food Service Operators (MUFSO) conference awards banquet at the Atlanta Marriott Marquis on Tuesday evening, Oct. 8. One of the six will be chosen MUFSO Operator of the Year by a readers' ballot to be published in NRN next month and to be announced at the conclusion of the MUFSO banquet.

For the first time in the 32-year history of MUFSO, American Express is co-sponsoring the Golden Chain awards with NRN.

As it happens, three of the six Golden Chain winners are based in Dallas, a thriving headquarters market area for top chains. Coincidentally, one of the Dallas-based and two of the other winners' last names start with R. More important, each of the six has built a formidable operation in his segment.

The six Golden Chain winners, in alphabetical order:

- R. Wray Jones, food services vice president of Neiman-Marcus department stores, who has fashioned N-M's flagship Dallas restaurant and other N-M restaurants into the best of in-store feeding.
- Ronald Magruder, president of Orlando, Fla.-based Olive Garden, who has molded the Italian family restaurant chain into a counterpart of Red Lobster and the dominant force of its own segment.
- Ronald McDougall, president of Dallas-based Brinker International (Chili's, Regas and Romano's), who has emerged as a driving force of Chili's sterling growth and the other two chains' development.

*(See **GOLDEN**, page 72)*

Waxman, Singer plan joint venture in Napa Valley

by Alan Liddle

NAPA, Calif. — Bicoastal celebrity chef and consultant Jonathan Waxman, who has been without a restaurant of his own for the past few years, is teaming up with wine specialist Stephen Singer, husband of Chez Panisse founder-specialist Alice Waters, to open a new restaurant in the Napa Valley.

A spokesman for Singer confirmed that he, Waxman, and George Altamura, a contractor and vineyard owner, are all partners in the new restaurant. The owners, who have not yet named the "American" restaurant, are tentatively planning a July opening, she said.

Singer's representative confirmed that Waxman would be the chef as well as a shareholder.

While Alice Waters will not play an active role in the new restaurant, Singer has reportedly bestowed her with the honorary title of "Aesthetic Muse."

The new 2,900-square-foot restaurant is now under construction on a parcel off Highway 29 between the wine country towns of Napa and Yountville. Cafe Brix, which

*(See **WAXMAN**, page 72)*

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NEWS BRIEFS

Bush criticizes rights act, raising businesses' hopes

WASHINGTON — With the combatants squaring off for a pitched battle over the landmark civil-rights act pending in Congress, President Bush has declared himself on the side of the restaurant industry and other trades that strongly oppose the bill.

The president's dismissal of the act as a "quota bill" increases the likelihood that he will veto the Democrats' proposal. Businesses have fought the legislation because it would facilitate workers' efforts to collect damages from employers suspected of discriminating against employees because of their gender, religion or age.

Foodservice and other industries have asserted that they will be forced to protect themselves from lawsuits by using hiring quotas. They argue that they will be forced to hire people because of their demographic traits rather than their skills.

To blunt that criticism, Democratic leaders recently appended their bill to explicitly outlaw quotas. But businesses say the stipulation only increases the danger they would face under the act. They argue that they could be sued for age, sex or religious discrimination if they do not use hiring quotas yet could be sued under the quota ban if they hired someone for reasons other than their abilities.

Bush entered the fray when he dismissed the quota ban as an empty provision. During his commencement address at the U.S. Military Academy in West Point, N.Y., he said the Democrats' civil-rights act was still a "quota measure," explaining that "you can't put a sign on a pig and say it's a horse."

Bush wants to replace the Democrats' civil-rights act with a bill drafted by the White House.

Hardee's creates task force to finish Roy's conversion

ROCKY MOUNT, N.C. — Hardee's Food Systems has created a task force of company executives and franchisees to determine the best ways to convert the 200 remaining Roy Rogers restaurants — all of which are in the Northeast — into Hardee's units.

Thomas M. Coyle, director of merger integration, said the group will develop operational and marketing strategies to slowly acquaint Roy Rogers' customers with the Hardee's concept.

Coyle noted that because consumers in Philadelphia, New York and its suburbs are largely unfamiliar with the Hardee's brand name, the overnight conversions that were used in Washington and Baltimore may not be as effective in the Northeast.

"We're looking for a way to blend them together before there is a complete and permanent change to Hardee's," Coyle said.

Ex-Bojangles' prexy Bifone takes helm at Souplantation

DEL MAR, Calif. — John R. Bifone, the former president and chief executive of the Bojangles' Inc. chicken chain, has been named chairman and chief executive of Souplantation Inc., the San Diego-based operator of the 21-unit Souplantation and 4-unit Sweet Tomatoes food-bar restaurant chains.

He succeeds Souplantation cofounders Tony Brooke and Michael Mack, who remain on the company's board of directors. Brooke was chairman and chief executive; Mack was president.

Bifone's 30 years in food include tenures as executive vice president of Chi-Chi's Inc. and as president and chief executive of Country Kitchen International.

Handke to leave Greenbrier, join Pete's in Columbus

WHITE SULPHUR SPRINGS, W.Va. — Master chef Hartmut Handke will resign at the end of June as executive chef at The Greenbrier, the 6,500-acre luxury resort here where he supervised production and service of 4,000 meals a day since 1986.

Handke, considered one of the nation's top culinarians, will become a partner in Columbus, Ohio-based Pete's Steak House, which is owned by chef and restaurateur Berndt Gros. Handke's assignment will be to shift the operation toward international cuisine.

A highly decorated chef, Handke competed on the 1988 U.S. Culinary Team and was named 1989 Culinarian of the Year by the American Culinary Federation.

Before joining The Greenbrier, Handke was executive chef at the Athletic Club of Columbus.

Chicago celebrity disappears

CHICAGO — Karl-Heinz Granitza, Chicago's soccer-star-turned-restaurateur, has disappeared, leaving behind about $500,000 in debt.

Granitza's partner in the shuttered Cocorico restaurant, Louis Retailleau, said he does not know where Granitza went. Retailleau's wife went to Germany, Granitza's homeland, to search for him.

Granitza was a star member of the Chicago Sting, the town's professional soccer team. He was plagued with other business and legal problems in addition to those at Cocorico, where business had fallen off after a promising beginning in 1988. His wife and three children vanished with him.

Renaud exits Skats because of dispute with Boddie-Noell

ROCKY MOUNT, N.C. — Foodservice veteran Ernie Renaud has resigned as head of the Skats chicken-and-burger drive-thru chain because of philosophical differences with the concept's owner, Boddie-Noell Enterprises.

Boddie-Noell, which is also a major Hardee's franchisee, issued a one-sentence statement announcing Renaud's resignation as president of the company's Specialty Concepts division. It explained that Renaud did not agree with the operating philosophy and management style of senior management.

Renaud, 63, joined Boddie-Noell in mid-1989 to expand Skats after he was fired as president of Church's Chicken following its acquisition by Al Copeland.

Previously, Renaud was president of Investors Management Corp., operators of the 515-unit Golden Corral chain.

Renaud also spent 14 years at Jerrico Inc., spearheading expansion of the Long John Silver's Seafood Shoppes chain from 200 units in 1972 to more than 1,300 by the time he left in 1984.

Brown tapped to head Circle K

PHOENIX — Bart A. Brown, chairman of Circle K Corp., has been named to the additional post of chief executive of the convenience-store chain here.

Brown, 59, fills the vacancy left by Karl Eller, who stepped down before Circle K filed for Chapter 11 bankruptcy protection last May. The company brought in Brown at that point to restructure its finances.

Brown, a tax, legal and accounting specialist, is on a temporary leave of absence from his senior partnership position with a Cincinnati law firm.

Nathan's inks deal for overseas units

WESTBURY, N.Y. — In its first venture beyond the United States, the Nathan's Famous hot-dog chain has granted rights to open 185 units in Europe and Asia.

The seven-year pact calls for American Fast Foods International Inc., a spin-off of a British merchant banking concern, to open Nathan's Famous units in England, France, Germany, Italy, Spain, Thailand, Taiwan and Singapore.

AFFI's officers and directors include several former Burger King executives. Stephen Finn, who headed European and Middle East operations for the 5,500-unit burger chain, is president and chief operating officer. J. Jeffrey Campbell, Burger King's former chief executive, and C. Ronald Petty, another former BK president, serve on AFFI's board.

Financial terms of the agreement were not disclosed.

The 75-year-old Nathan's has 70 units in the United States. It recently granted area-development contracts for Florida and Massachusetts and signed a 70-unit franchise pact with Marriott Corp., which plans to open the hot-dog outlets along toll roads and in airports.

FINANCIAL NEWS

McD seeks to boost sales through new menu selections

(Continued from page 1)

McDonald's the seventh-largest pizza provider in the nation by number of units, Skinner said. McDonald's is developing a 12-inch pizza that can be ready five minutes after ordering.

McDonald's continues to emphasize menu expansion in its quest to break out of a domestic sales slump.

While worldwide systemwide sales rose 6 percent to $4.5 billion during the first quarter ended March 31, U.S. systemwide sales dropped 1 percent to $2.8 billion. And an overall 7-percent hike in net income to $168.5 million, on a 3-percent revenue uptick to $1.6 billion, was mostly due to strong international performance.

U.S. operating income slid 2 percent to $211.3 million in the quarter, with domestic revenues off 5 percent to $869.1 million in year-to-year comparisons.

"A dinner menu is a long-term priority," Skinner noted.

Since McDonald's has started encouraging franchisees to experiment with additional items, at least one high-profile Chicago franchisee has added several Italian dinner entrées that change nightly.

Turkey is another product that McDonald's may incorporate into its menu, commented McDonald's USA president Edward Rensi.

"One of our suppliers is putting together some products for our review," Rensi said in response to a shareholder question about the possibility of adding lower-fat protein alternatives to the menu. "Turkey is in our future."

He noted that turkey already is being served in a submarine sandwich in selected test markets.

"By increasing the number of products we have, we have a better chance of hitting home runs," Skinner theorized.

In an interview after the meeting, Rensi said McDonald's core menu of burgers, fries, soft drinks and milk shakes remains strong, and asserted that so many new items will not dilute McDonald's concept of serving hot food fast in a pleasant environment at a low cost. Improving technology enables McDonald's to broaden the menu and still maintain good service times, he said.

McDonald's newest burger, the low-fat McLean Deluxe, is selling better than the higher-fat sandwich it replaced, the McDLT, Rensi said. He would not reveal specific sales figures.

On the international front, new product introductions are of lesser importance because opportunities abound for opening new restaurants. The company opened 335 new restaurants in foreign countries in fiscal 1990, compared with 306 in the United States. It expects to open about 300 foreign and 300 domestic units in 1991.

The international division, which totals 27 percent of all McDonald's restaurants, contributed 34 percent of systemwide sales, said James Cantalupo, the division's president and chief executive.

A shareholder asked Quinlan if McDonald's American growth has plateaued. Quinlan said that he remains enthusiastic about domestic growth, although he said, "The international division of the company is a vast, untapped source of sales and new growth."

As part of an attempt to make domestic units more profitable, Jack Greenberg, senior executive vice president and chief financial officer, outlined how McDonald's is reducing development costs of new units. In addition to using lower-cost building materials where feasible, the company is experimenting with prefabricated buildings in scaled-down drive-thru-only operations called McDonald's Express.

In trying to boost customer counts at existing restaurants, McDonald's is updating decor, building expanded "Ronald Play Places" for youngsters and remodeling drive-thrus for faster service.

The company plans to expand McDonald's Express to 20 throughout the U.S. in the coming year, Rensi said.

On the opposite end of the spectrum, a second Golden Arches Cafe will open soon in Tennessee, even though Rensi admitted to being disappointed with sales at the first one, also in a small Tennessee town. The cafe offers 1950s-style diner entrées, such as meat loaf, roast chicken, catfish, salisbury steak and other blue plate specials that servers deliver to the tables.

Following the series of presentations from chief executives, Quinlan fielded shareholder questions for nearly an hour. In answer to a nun's inquiry about why inner-city employees in Philadelphia are paid less than their counterparts in wealthier suburbs, Quinlan said the company is working on correcting the wage disparity.

Shareholders present voted down a proposal that McDonald's sign the Valdez Principles, a set of environmental standards written by CERES, an environmental investment group, that would require participating companies to open their environmental records for auditing and public review. Quinlan, who recommended that shareholders vote against the proposal, said McDonald's has its own environmental policies.

Highlights of McDonald's annual meeting

- In search of an antidote to deteriorating domestic sales, the chain is eyeing a barrage of new products, including a chicken fajita entrée, a breakfast burrito and turkey items.
- A second unit of Golden Arches Cafe, the burger behemoth's new concept, is scheduled to open in Tennessee.
- The McLean Deluxe is selling better than the sandwich it replaced, the McD.L.T., company officials said.
- McDonald's is planning to build 20 units of McDonald's Express, the chain's scaled-down drive-thru format.

FOOD PRICE OUTLOOK

Tight lettuce supplies should ease soon

by Patt Patterson

Iceberg lettuce prices have been extremely high lately, but there are signs that they may start falling soon. There will soon be increased production from California's central coastal areas from Salinas to Santa Maria. Prolonged cold weather during the winter and early spring slowed the crop. That, combined with heavier than usual demand, created largely by supermarkets promoting lettuce, has pushed prices up. The foodservice market is directly affected by retail price swings. Some shippers have been allocating shipments to regular customers.

Leaf lettuce prices are still moderate, although some operators have been switching to Boston (butterhead) lettuce and the red and green leaf varieties. Romaine prices are about the same high levels as iceberg . . . Broccoli prices are moderate, but cauliflower prices have jumped.

Carrot and cauliflower prices high, **broccoli** prices at moderate levels . . . **Celery** prices have moved up . . . **Strawberry** prices are below usual levels for this time of year, mainly because of the cold-delayed California crop.

The ailing economy has been responsible for demand to drop off for a number of foods. **Canned hams** are a good example, with extensive discounting going on in imports . . . **Pork** prices have been up through a good part of May, because hogs delivered to slaughterhouses have fallen off as farmers spend all their time in their fields. The hog supply is expected to increase as soon as all the planting is done.

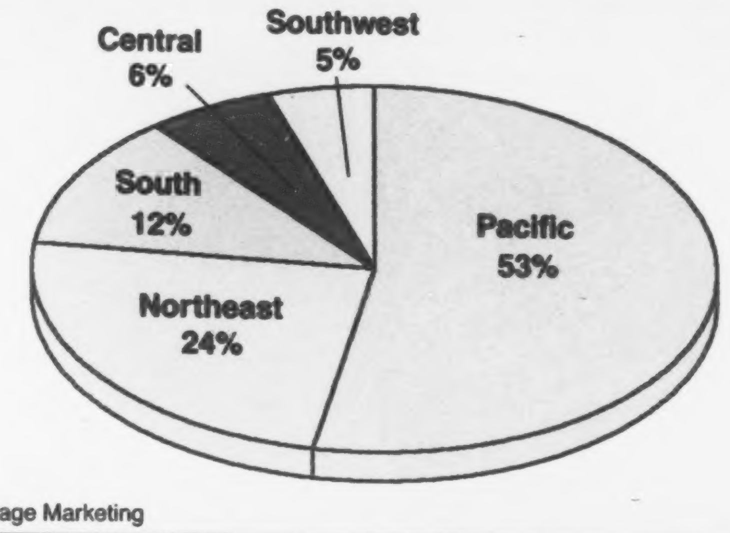
Prices on smaller-sized **shrimp** have dropped a bit, on reduced demand . . . Although prices have dropped a bit, **frozen cod** blocks and slabs imports have recently increased. Imports are still more than 30 percent below last year's at this time.

FACT FILE

The coast with the most

The Pacific and Northeast regions of the United States together account for 77 percent of all domestic sparkling water.

(1990 total of U.S. bottled water, in percentages by region)



Source: Beverage Marketing

FINANCIAL DIGEST

Sandwich Chef's 3rd-Q net rises 21%

BIRMINGHAM, Ala. — Sandwich Chef, operator of a string of mall-centered deli-type restaurants, reported a 21-percent gain in profits for the third quarter ended March 20, up to $154,000, on an 8-percent gain in revenues, to $10.2 million.

Lower fixed costs and a slight decline in food costs helped the company boost its net income even though Sandwich Chef was expecting stronger sales.

For the nine months of the period, profits jumped 14 percent, to $446,646, on a 10-percent gain in sales, to $27.5 million.

Executives said the company was expecting a healthier sales picture, but the Persian Gulf crisis and the recession tempered customer visits. Nevertheless, a series of remodeled units and new store openings in the year-ago quarter helped to overcome what might have been even softer results.

Same-store sales were up only 3.3 percent, the company reported.

Two Pesos overcomes year-ago loss

HOUSTON — Wiping out a year-ago loss of $3.9 million, Two Pesos posted a $1.2 million profit for the year ended March 31, but revenues contracted 10 percent, down to $36 million.

The weak economy and customer preoccupation with the recession were cited for the decline in sales. The company's emergence into the black was attributed to lower operating costs, a decline in food expenses and stronger management.

For the fourth quarter Two Pesos reported a $46,000 profit — vs. a $1.5 million loss in the year-ago period — while revenues slipped back 12 percent, to $7.9 million.

Despite slumping sales the company said it is confident that the current operating results put the once-ailing Tex-Mex operator on the road to recovery.

"Our fiscal 1991 results reflect the successful execution of the company's strategy to return to profitability and renew expansion," said Ghulam Bombaywala, president and chief executive officer. "We believe these strategies and our future plans will result in significant earnings increases for the company in its fiscal year."

The company ended the quarter with 25 restaurants.

Furr's/Bishop's loses $5M in 1st Q

LUBBOCK, Texas — Furr's/Bishop's Inc., operators of the Furr's/Bishop's Cafeteria chains, lost $5 million in the first quarter ended March 30 while revenues fell 6 percent, down to $65.4 million.

The company cited a plethora of operating and economic factors to account for its lackluster performance, including its transition from a limited partnership structure to a chartered corporation, the lingering impact of the recession and the loss of $1.2 million related to a securities transaction.

The company converted from a limited partnership to a corporation late last year, and thus its first-quarter report is its first under its new charter. A year ago Furr's/Bishop's posted a profit of $723,000.

Promus posts $2.1M loss in 1st Q

MEMPHIS, Tenn. — The Promus Cos. said lower travel and fewer consumer dollars for entertainment during the recession led to a 3-percent decline in first-quarter revenues, down to $226.3 million.

The company lost $2.1 million in the quarter, its first since breaking away from Holiday Inn two years ago.

Operators of the Embassy Suites, Hampton Inn and Homewood Suites hotel chains as well as the casinos Harrah's and Holiday Casino, the Promus Cos. actually posted a 9-percent gain in hotel sales, to $35 million. But severe drops in casino and resort activity pummeled total revenues.

Operators bullish on stock offerings

Company	Total shares	Issue price	Amount ($ million)	Date
Cracker Barrel Old Country Store	1,500,000	33.25	49.875	2/28/91
Sonic Corp. (IPO)	3,700,000	12.50	46.250	2/28/91
Brinker Intl. Inc.	1,300,000	33.125	43.062	3/18/91
Uno Restaurant	1,200,000	14.625	17.550	3/19/91
Spaghetti Warehouse	750,000	20.062	26.75	5/22/91
Promus Cos.	7,000,000	19.125	133.9	early June
Outback Steakhouse (IPO)	1,370,000	11	15.1	mid June
Au Bon Pain (IPO)	2,300,000	9	20.7	late June
IHPO Corp. (IPO)	4,960,000	13	64.5	late June
Bertucci's Brick Oven Pizzeria (IPO)	1,620,000	12	19.4	late June

(Continued from page 1)

and companies that have ever considered going public use these opportunities to come out."

Most companies are looking to retire debts and to invest in future expansion, according to prospectuses filed with the SEC. Public offerings generate equity for those purposes quickly and at limited cost. The relative ease in raising equity through the market can outweigh the disadvantage of a shift in company ownership.

"It's a cheap way to raise money, and there is a pent-up desire for money," said Caroline S. Levy, restaurant, foods and lodging analyst at Shearson Lehman Brothers.

While companies nationwide are contributing to the public offering mania — 133 have filed with the SEC for either IPOs or new issues since January, according to Securities Data Co. Inc. — restaurant companies are currently among investors' favorite buys, analysts said.

Restaurant companies have continued to report strong earnings despite the economy, Mueller of Montgomery Securities said. He noted that 14 of 19 companies followed by his company had healthy first-quarter earnings and several reported record earnings. Since January the NRN stock index has risen 33 percent compared with a 17.3-percent increase in the S & P 500 index.

"This is increasing interest among investors for smaller-capitalization stocks," Mueller said.

Investors clamored for the more than 4.7 million shares of common stock first offered Feb. 28 by Sonic Corp., said Clifford Hudson, Sonic Corp.'s vice president of corporate development. The offering raised nearly $51 million, of which $34 million went to the Oklahoma City-based company.

Taking 32-year-old Sonic Corp. public made good business sense, Hudson said. Sonic Corp. is the parent company of Sonic Industries and its 1,080 Sonic Drive-Ins.

"We had a group of stockholders who were interested in selling their stock, and the company had some debt that it was interested in retiring," he said. "The best way to achieve both goals was to go public. Our company had just reached the point where we felt it was large enough to take public."

The public now owns about 53 percent of Sonic Corp., and management owns 27 percent, Hudson said.

Ten-year-old Au Bon Pain Co. Inc. is also ready to be public and is now awaiting SEC approval to sell 2.3 million shares of common stock on the open market, company officials said. The offering is expected to raise more than $20 million, according to the prospectus.

Proceeds from the offering will be used to pay off debt, strengthen the company's balance sheet and fuel expansion, said Anthony J. Carroll, vice president and chief financial officer.

Au Bon Pain is a chain of 90 bakery cafes located primarily in urban areas along the East Coast. Seventy-one of the stores are owned by the Boston-based company.

Since Brinker International went public in 1984, officials have used market performance to time their new-issue offerings, said Ron McDougall, president and chief operating officer of the Dallas-based company. "We've never gone against the grain," he explained.

By working with the market, the company recently raised $43 million from an oversubscribed new issue of 1.65 million shares of Brinker common stock, McDougall said. The proceeds will be used both to pay off debt and to expand the company's Macaroni Grill chain, he said.

Brinker is now "basically self-funding and debt-free," McDougall noted. There will be no more new issues in the foreseeable future, he added.

Cruise dining operators cast nets for Chicago passengers

(Continued from page 3)

From the second you get on that ship, you are entertained," Tobin said.

New this year on The Spirit of Chicago is dinner table service of a choice of three entrées instead of buffet service. If that upgraded service style goes over well here, the company plans to roll it out in its other ports next year.

"A lot of ships try to be like high-end restaurants," Tobin said. "I don't think you can compete on that level. We will compete for other fun things to do that take two or three hours."

The Odyssey is one of those ships that are emphasizing their fine restaurant qualities, aimed at attracting repeat customers several times each season. The menu will change every two months. "We will be a destination restaurant," predicted Michael Higgins, co-owner.

David Koelling, Higgins' partner and executive chef, who also owns The Greenery Restaurant in Barrington, Ill., expects that individuals who dine on board will enjoy themselves so much they will return later with friends or book a group function.

Offering more tableside service than its competitors, the Odyssey also charges the highest rates — $63 for weekend dinner cruises, without tax and tip, compared with $50.35 on The Spirit, without tax or tip. Odyssey lunches, which are buffet style, are $24, almost the same price as The Spirit's.

Group bookings offer slight discounts. About 75 percent of The Spirit's bookings are groups, vs. about 60 percent of The Odyssey's.

For dinners, both competitors offer a choice of three or four entrées. The Odyssey's current choices are pepper-grilled yellowfin tuna with citrus Hollandaise; herb-roasted free-range chicken; tenderloin of beef with Roquefort butter; or beef tenderloin with lobster tail and sauce Bearnaise, for an additional $10.

The Spirit's dinner entrées are Norwegian salmon, prime rib or chicken breast stuffed with Boursin cheese.

The Odyssey also offers a private dining room for 50, the Admiral's Lounge, equipped with audiovisual equipment and its own bar and rest rooms. Special upgraded menus are available to groups booking that room.

The Odyssey's entertainment is nightclub style, such as light jazz and a piano lounge. The Spirit features Broadway-style live music, complete with performing wait staffers. It also has themed cruises, such as tropical parties on Thursdays and big band lunches.

Operators of both ships say they can sail in most weather conditions. If the lake is especially choppy, they sail a shorter distance closer to shore, where waters are calmer. Temperature-controlled enclosed decks allow comfortable dining in all weather.

Chicago's First Lady is small enough to sail on the Chicago River without the need to raise the bridges, an option it plans to exercise when the lake is too rough. Its operator, Mercury Cruiseline, has run sightseeing cruises for 47 years on the river and along the Lake Michigan shoreline.

All meals on the First Lady will be catered by Chicago Caterers Ltd. Capacity is 250 for buffets and 112 for formal seating. The ship, still under construction, is expected to start cruising in mid-July.

The Spirit expects to carry 140,000 passengers this season, from March through October, while The Odyssey projects a total passenger load of 150,000 during its six-and-one-half-month main cruising season. The Odyssey's owners plan to attract enough additional passengers to continue operating through the Christmas holidays while docked with much of Chicago's skyline in view.

Both of the big ships' owners plan to expand to other ports as opportunities arise. According to Higgins, cruise dining is not a growing niche but still offers opportunities.

"We are doing something that is already out there," he said. "We are just trying to do it better."

Debevic's, Gilbert/Robinson buyout debt leaves investor group struggling

(Continued from page 3)

buildings and shopping centers. Pilevsky is president and sole owner of Philips International Holding Corp., and Cohen is chairman and chief executive of The Arlen Corp. Both men are based in New York.

While neither Cohen nor Pilevsky would comment on the status of either company, Frederick Hipp, president and chief executive of Gilbert/Robinson Inc., emphasized that "there is no association whatsoever between Ed Debevic's and Gilbert/Robinson. They are two distinct and legally separate companies."

Hipp explained I & M Acquisition Corp. — which is controlled by Cohen and Pilevsky — owns 80 percent of fully diluted shares of Gilbert/Robinson Inc. European American Bank, for its part, holds I & M's shares as collateral against the loan.

"EAB notified I & M that if they were unable to come to an agreement, the bank would consider selling their stock in Gilbert/Robinson to recover their collateral," Hipp said.

Such an action would constitute a "change in control of major ownership," Hipp continued. "In that case bondholders can turn in their bonds and require us to pay them out."

If the stock ownership were to change, it could trigger the acceleration of repayment on a $107 million loan from the New York branch of Credit Agricole-CNCA as well as $85 million in bond debt.

Hipp remains optimistic concerning the talks between I & M and EAB, however. "It appears to be on the way to resolution," he said. "Successful negotiations seem to be under way."

The recent Chapter 11 filing for Ed's Holding Corp., however, appears to still be in the early stages. Moreover, the filing apparently caught the other principals off balance.

Dennis Riese, who is an equal shareholder with Cohen and Pilevksy, said that while he had "engineered the original deal, I'm just a stockholder [in the corporation]. I'm completely out of the loop. This is a technical situation controlled by the financiers."

Gerard Centioli, president and chief executive of Ed Debevic's Inc., said, "LEYE was not part of the process. It took us by surprise." Centioli added that LEYE was not even notified about the bankruptcy petition until three days after it had been filed in New York.

With stocks and options, senior partners in LEYE own about 16 percent of Ed's Holding Corp.

And while none of the principals would comment on the reason for the filing, one source suggested that they had paid full market value for the Debevic's chain when it was purchased in August 1989. Moreover, the deal with the lender bank was structured in a highly leveraged fashion that required the principals to make equity contributions down the road — which, according to speculation, were not made when they came due.

"LEYE is philosophically opposed to Chapter 11," Centioli continued. "We're not naive, and we recognize that such transactions can encounter difficulties. But our hopes would be that principals can sit down and work through the problems."

Ed's Holding Corp. purchased Ed Debevic's from Collins Foods International in Los Angeles, Big 4 in Phoenix and LEYE.

Centioli noted that the six Ed Debevic's restaurants — located in New York; Chicago; Deerfield, Ill.; Torrance and Beverly Hills, Calif.; and Phoenix — are doing well.

"Our latest Ed's in New York is currently exceeding our sales expectations, and we expect it to in the future," he said.

Ed Debevic's restaurants average about $3.5 million in sales per store.

He also explained that the Chapter 11 filing will have no effect on Ed Debevic's operations.

"We'll continue to develop the chain at about the same pace we have been," Centioli said.

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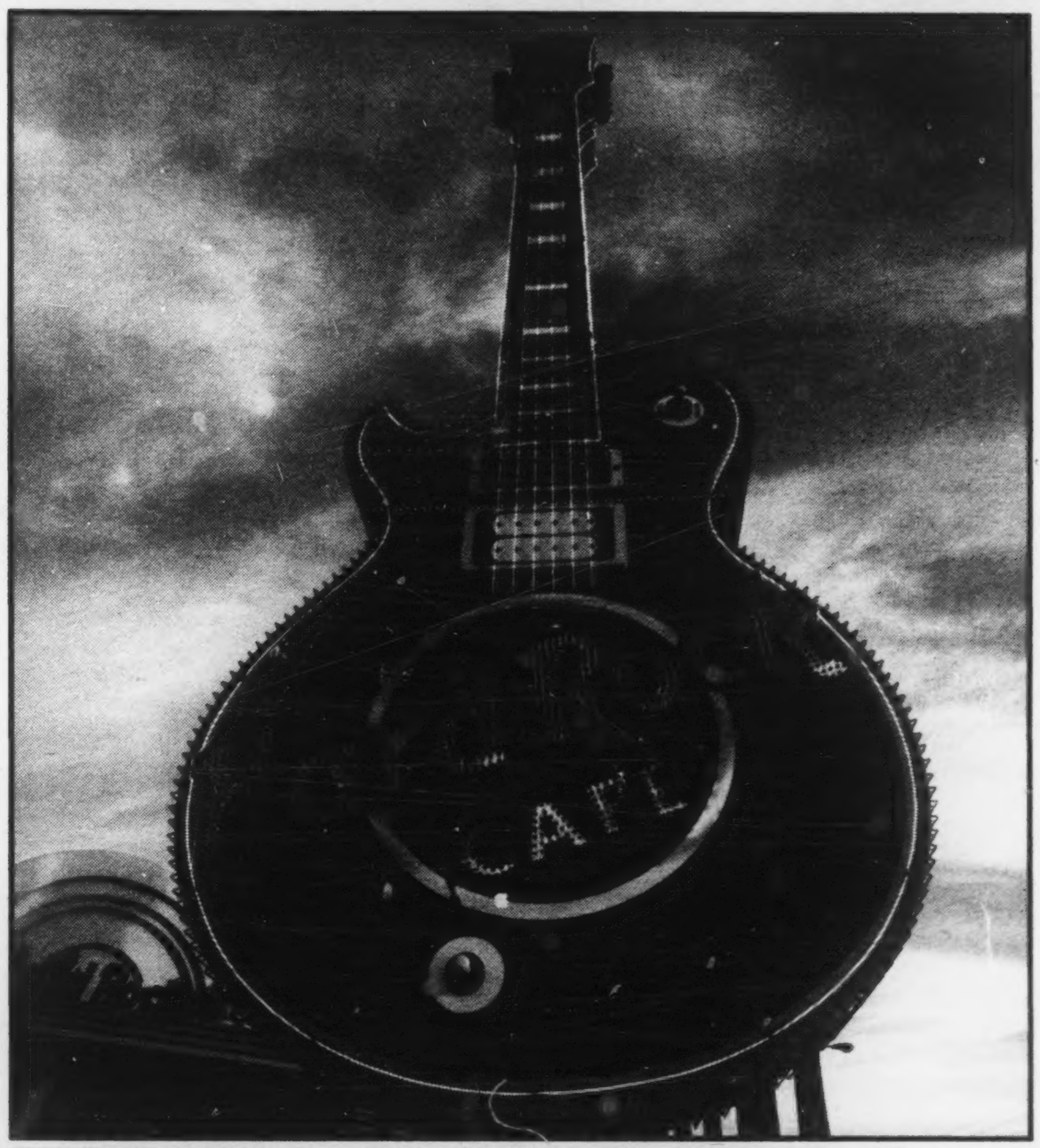


The 82-foot-high sign, shaped like a Gibson electric guitar, which is displayed in front of the Hard Rock Cafe in Las Vegas.

Foodservice braces for civil rights fracas

All eyes are on the Senate as political firefight over landmark labor legislation comes to a head

by Peter Romeo

WASHINGTON — The foodservice industry is warily eyeing the political battle brewing in the Senate, where lawmakers are poised to consider legislation of critical importance to restaurants and other labor-intensive businesses.

The landmark civil-rights act, which is intended to curb job discrimination by letting workers seek hefty damages from suspected violators, has already been passed by the House of Representatives. But the measure's Democratic proponents failed to draw enough votes to override a promised presidential veto.

"It was an embarrassing defeat for the Democratic leadership," said Pete Lunnie, leader of the Fair Employment Coalition, an alliance of 200 business groups opposing the civil-rights act.

"The $64,000 question right now is, What is the Senate going to do?" asked Mary Fulco of the U.S. Chamber of Commerce, another group that contested the bill.

Knowing that the House bill will be killed by Bush, the Senate is likely to seek a compromise that would be acceptable to the president.

"It's clear that some changes will have to be made," said Elaine Graham, a lobbyist for the National Restaurant Association. "Those guys would like to see some type of civil rights bill that they could support and that President Bush could sign."

"Congress is going to have to work very closely with the business community to come up with something acceptable,"

*(See **FOODSERVICE**, page 4)*

Morton bets $70M on Hard Rock hotel-casino unit

by Richard Martin

LAS VEGAS — Restaurateur Peter Morton, intent on rocking Nevada with a bankroll fat enough to launch "another 15 or 20" Hard Rock Cafes, is betting some $70 million that his chain's renown can be parlayed into a lodging and gaming jackpot of heavy-metal proportions.

Morton, co-founder of the 20-year-old HRC concept and principal owner of a $100 million-a-year chain of 11 Hard Rocks, said he plans to break ground at a 10-acre site here in September for the glitzy Hard Rock Hotel and Casino.

The 12-story, 326-room property — whose classical fa-

*(See **HARD ROCK**, page 57)*

Mandated health plan rattles industry nerves

by Peter Romeo

WASHINGTON — Stirring concerns within the foodservice industry, Democratic congressional leaders have vowed to push hard for legislation that would require employers to either provide all staffers with health insurance or pay a special tax.

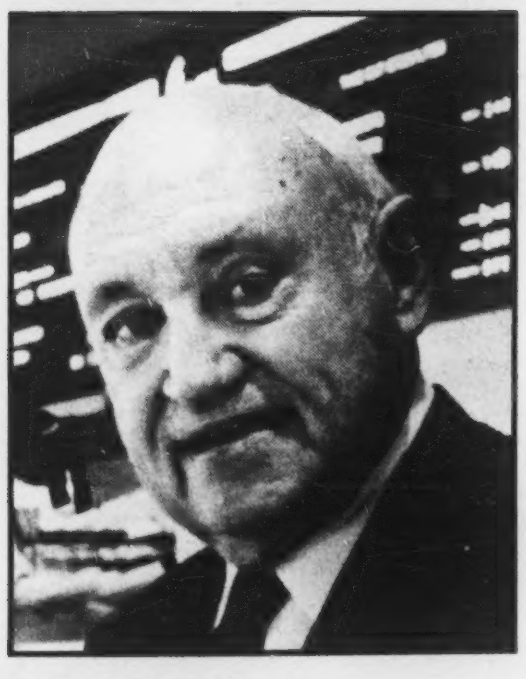
Industry officials say the lawmakers have little chance of putting a sweeping insurance mandate on the books. But they worry that the effort will muster support for some compromise that would nevertheless burden restaurateurs with additional labor expenses.

"Of any of the health-care measures coming out of Congress, this is going to be the vehicle that moves things along," said Pamela Sederholm, executive director of the National Council of Chain Restaurants, a trade association for foodservice chains. "It is the base, it is the foundation, for possible further activity."

"It's going to give [insurance-mandate proponents] one more thing to talk about," said Elaine Graham, a National Restaurant Association lobbyist on Capitol Hill. "And it's go-

*(See **HEALTH**, page 56)*

MUFSO Pioneer: Chick-fil-A founder Cathy



S. Truett Cathy

by Charles Bernstein

ATLANTA — S. Truett Cathy, who founded his first Chick-fil-A unit in a shopping mall here 24 years ago and has built it into the third-largest chicken chain after Kentucky Fried Chicken and Popeye's-Church's, has won Nation's Restaurant News' annual Multi-Unit Food Service Operators (MUFSO) Pioneer Award.

NRN's editors selected him for his career-long innovation and his dedication to solid operating principles while he built his $300 million chicken chain with 450 units in 31 states.

He will receive special recognition at NRN's annual MUFSO awards banquet in the Atlanta Marriott Marquis on Tuesday evening, Oct. 8. Details on the 32nd annual MUFSO conference here Oct. 6-9 are available from MUFSO coordinator Coleen Harte at (212) 756-5199.

MUFSO '91

Cathy opened his first restaurant in 1946 as a suburban Atlanta diner, The Dwarf House. A few Dwarf Houses remain today, but the entire emphasis is on Chick-fil-A.

He originated the boneless breast of chicken sandwich and is considered a giant of the restaurant industry in the Southeast and elsewhere. A man of great personal and religious conviction, he has remained dedicated to his employees, continuing to keep his units closed on Sundays so that they can enjoy one day of rest and attend church if they so desire.

Cathy has won numerous

*(See **CATHY**, page 57)*

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Vol. 25, No. 24 June 17, 1991

NEWS BRIEFS

Civil rights act passed in NY

NEW YORK — While the federal government debates a watershed civil rights bill, New York is putting a localized version on the books.

The measure — one of the most ambitious anti-discrimination acts in the nation — has been approved by the City Council. Mayor David Dinkins is widely expected to sign the bill into law in early summer.

Patterned after the federal legislation currently before the Senate, the New York legislation would permit persons who feel they were the victims of job discrimination to seek up to $250,000 in damages from an offending business.

Like the Democrats' federal proposal, the New York initiative would require businesses to justify any hiring or promotional practice that tends to screen out demographic groups. Opponents have charged that the stipulation will force companies to use hiring quotas to protect themselves from lawsuits — a criticism also leveled at the national bill.

McD adds low-cal ice-cream float, chicken sandwich

OAK BROOK, Ill. — Encouraged by consumer acceptance of the McLean Deluxe, McDonald's has added two more low-calorie items as limited-time promotional products: a 90-calorie Diet Coke Float and a 275-calorie Tex-Mex styled grilled chicken sandwich.

Both are priced at $1.39 and will not be offered systemwide.

The new items appeared days after shareholders were told at their annual meeting to expect a new Tex-Mex product.

Called the Faj-rito, the grilled chicken sandwich includes bell peppers, onions, tomatoes and fajita sauce in a whole-wheat tortilla.

Puck opens pizza counter in Macy's unit

SAN FRANCISCO — Wolfgang Puck Food Co., the frozen foods manufacturing company chaired and partly owned by celebrity chef Wolfgang Puck of Spago, is opening a hot and frozen pizza counter at the Macy's department store here.

"This is a prototype," Selwyn Joffe, president of the Culver City, Calif.-based company, said of the San Francisco unit, which will be called Wolfgang Puck's California Pizza.

Joffe said the pizza counter will open later this month in The Cellar, a housewares, dry goods, deli, wine and prepared foods department at the Macy's off Union Square. In addition to freshly made and baked 12-inch pizzas ($9) and slices ($2.50), the counter will sell the company's Wolfgang Puck cook-at-home frozen pizzas, along with soft drinks, espresso, cappucino and a specialty salad, he said.

Citrus' Richard launching Citronelle in Santa Barbara

SANTA BARBARA, Calif. — Chef-owner Michel Richard of Los Angeles' acclaimed Citrus restaurant has targeted a July 15 debut for the 150-seat Citronelle, part of a $2.5 million refurbishment of the 71-room Santa Barbara Inn hotel here.

Richard, as executive consulting chef for the oceanfront property's managing partner, LCP Hotels of Washington, D.C., has engaged chef Tony Pels, a 3-year veteran of Citrus, to oversee the restaurant's kitchen. Citronelle will serve such Citrus signatures as crab coleslaw and seared scallops with Maui onion rings, said Richard, who intends to cook at the hotel each weekend.

He said per-person tabs would run $12 to $15 at lunch and $35 to $40 at dinner, about 25 percent lower than at Citrus.

Mary Mac's plans sale of Tea Room

ATLANTA — Mary Mac's Ltd., a 28-year-old Southern-style family operation, is negotiating to sell its legendary Midtown concept, Mary Mac's Tea Room.

The 375-seat destination, famous for fried chicken, turnip greens, niblet corn and hot cobbler, is still averaging 1,000 weekday lunch and dinner covers despite shifting neighborhood demographics and encroaching competition, claims Andy Lupo, vice president and general manager.

But Mary Mac's battles runaway costs because of the operator's insistence on home-cooked fresh food and traditional table service, Lupo says. Catering, which makes up one-eighth of sales, is preserving the bottom line, he adds.

St. Paul's Dakota closes following Ch. 7 filing

ST. PAUL, Minn. — The Dakota Bar & Grill, a trendy restaurant and jazz club that made a name for itself for serving innovative contemporary cuisine as well as for attracting big-name jazz artists, has closed.

The business, which had been in Chapter 11 for several years, now is in Chapter 7, after attempts to secure a combination of new public and private financing fell through. Owner Lowell Pickett could not be reached for comment.

Local restaurant reviewer Peter Lilienthal blamed the closing of the Dakota and the earlier closing of Filbert's restaurant on their locations in the remote Bandana Square shopping mall. The nearby Northland Inn hotel, experiencing low occupancies, recently filed Chapter 11.

Atlanta politicians waver on rewrite of airport contract

ATLANTA — A proposed rewrite of the $37.5 million food service contract at Hartsfield International Airport, which would forgive $115 million in unpaid concession rents and nullify a 10-year-old "prime concessionaire" arrangement, is losing the support of politicians whose votes are needed to make it happen.

Like most cities that are suffering financially, Atlanta claims it can't afford to write off needed revenues. Yet airport concessionaires are saying the demise of Eastern Airlines plus the slowdown in air travel have cut their sales and they are asking for relief.

The key players figuring to benefit from the contract rewrite are Dobbs-Paschal Midfield Corp. (a joint venture of Memphis, Tenn.-based Dobbs Houses, Inc. and Paschal's Concessions), and Air Terminal Enterprises (another joint-venture, represented by Marriott Corp. and The Thacker Organization).

Lawsuit settlement eats Max & Erma's quarterly profits

COLUMBUS, Ohio — Max & Erma's said a $165,000 out-of-court settlement of a dram shop liability lawsuit wiped out nearly 75 percent of its pre-tax earnings for the second quarter ended May 12.

Net income fell 83 percent to $28,000 while revenues rose 21 percent to $8.4 million for the period.

The dram shop suit arose from a fatal accident in 1987. The victim's estate later sued the company when it was discovered that the man who caused the tragedy had been drinking in a Max & Erma's restaurant before the collision.

Chicken A-Peel names 3 to expand executive team

ST. LOUIS — Al Genovese, founder and president of five-year-old Chicken A-Peel, a six-unit skinless fried chicken chain based here, has named three people to executive positions with his growing franchising company.

Kim O. Andereck, formerly president of Can-American Franchise Corp., Bloomfield Hills, Minn., which sold franchises for the Toronto-based O'Toole's casual restaurant chain before that group halted U.S. expansion, was appointed consulting senior vice president. Andereck, who was senior vice president at Magic Pan Restaurants in San Francisco from 1985 to 1988, will help Genovese establish a corporate infrastructure.

Named by Genovese to be Chicken A-Peel's new St. Louis regional manager was Lou DiGiacomo, a one-time Burger King franchisee in St. Louis, who previously worked for Greyhound Food Services, now Restaura Inc., and Kentucky Fried Chicken.

John Ruth, a University of Oklahoma graduate who previously held management positions with Chick Fil-A, is Chicken A-Peel's new area supervisor, Genovese said.

FINANCIAL NEWS

Survey: Franchisees seek growth through acquisitions

by Peter Romeo

PHOENIX—Fierce competition and contracting margins are pressuring many restaurant franchisees to seek greater profits through acquisitions, generating new opportunities and concerns for savvy foodservice investors, a new survey suggests.

The poll of 909 licensees revealed that 65 percent of the respondents are thinking of boosting revenues and profit margins through the purchase of units. More than half said they were interested in buying concepts from outside their current market niche.

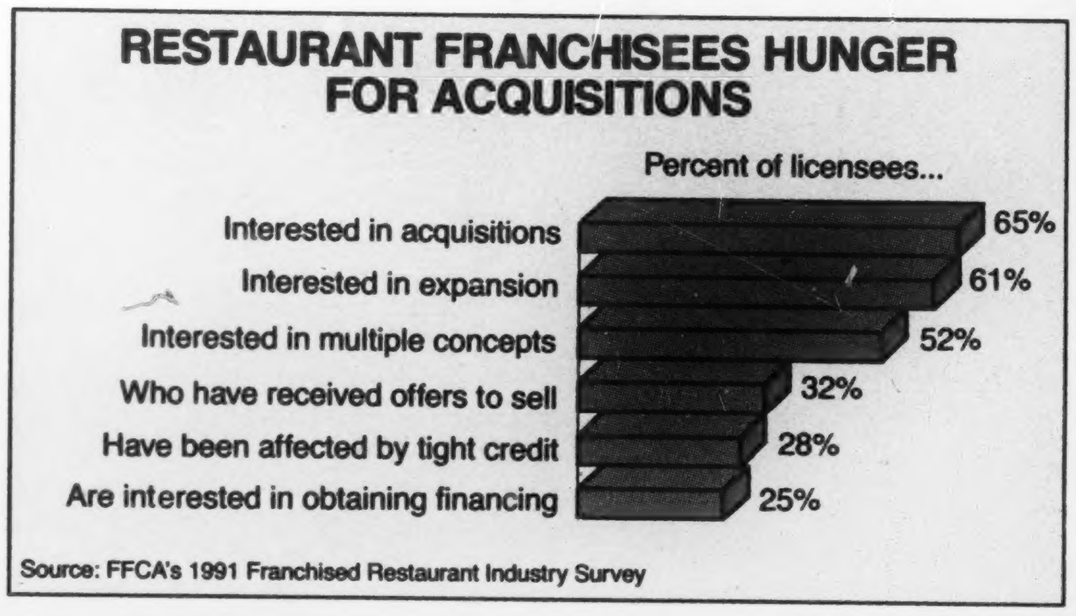
"The expansion trend appears to be an outgrowth of tighter industry margins and increased competition," reads a report based on the survey, which was conducted by FFCA Institutional Advisors Inc., a restaurant financing company that is based here. "Tighter margins mandate larger operator size in order to maintain earnings levels and increase operating efficiency."

The upshot, explained Christopher Volk, FFCA's vice president and director of research, will be an increase in the number of publicly held restaurant companies. The quest for acquisitions will lead large franchises to seek funding in part through stock issues, he explained.

"That's something we're very likely to see," Volk commented.

At the same time, he said, consolidation of the franchise community will raise new considerations for investors who specialize in restaurant stocks.

"Investors buying stock in a restaurant franchise company will have to pay attention not just to the strength of the concept but [also to] the franchisee mix, because these larger franchisees will be exerting greater influence," he said.


RESTAURANT FRANCHISEES HUNGER FOR ACQUISITIONS

Source: FFCA's 1991 Franchised Restaurant Industry Survey

"As franchisees become larger and larger, they will exert greater influence over the marketing and the menu of the franchised concept," Volk explained. "Because of their size, they can branch out of just operational skills to do some forward thinking about the marketing aspects of the business."

He noted that one of FFCA's clients, a large franchisee of a major fast-food chain, has already ventured into the traditional domain of franchisors by opening a test kitchen. Few restaurant franchises are large enough to afford such an important marketing tool, leaving most franchisors with control over a chain's menu development.

An expansion of franchisees' strategic planning role can only help a chain, Volk asserted. In any textbook business-success story, he said, ideas and directional input flow upward from the persons who are closest to the customers.

In addition, he suggested, a consolidation of franchisees would lessen a chain's chances of being crippled by factional disputes. "Everyone would have the same focus," he said.

But, he acknowledged, franchisors could have a more difficult time in setting that focus.

Also, "if you're a franchisor, what are you going to do if your 200-unit franchisee is teetering?" Volk asked. "When you see a failure, it's going to be a larger failure."

And, he noted, "as companies get larger, there's always a management risk as they adjust to the size of the acquisition."

But consolidation of the franchisee community is an inevitability, Volk said.

"It has become more and more difficult — if not impossible — to make a good living from a single unit," he said.

Not only does the addition of new units raise an operation's revenues, but "the economies of scale become more attractive," yielding a better profit margin, he explained.

"People that are 'landlocked' by their current franchise are looking for something else — something that's not too far away but something that will give them room to grow," said Reid Sherard, FFCA's vice president of acquisitions.

(See SURVEY, page 55)

FOOD PRICE OUTLOOK

Lettuce prices easing; supplies steady

by Patt Patterson

In early June iceberg lettuce prices began to ease off from the highs of May. Although supplies remained steady, a drop-off in demand seemed to be pushing the price down. There should be continued adequate supplies of iceberg from the West Coast throughout the summer with prices normal.

At the same time most leaf lettuce was a bargain, with low prices holding on green leaf, red leaf and Boston heads. Romaine, however, was exceeding iceberg prices on strong demand.

Canned **tuna** is in good supply this year, with increased imports and prices steady . . . Prices for frozen **cod** blocks and slabs, raw material for portions and sticks, have slacked off somewhat although stocks are still down . . . Frozen domestic **catfish** supplies are holding steady although imports of freshwater catfish are down. Expect some upward movement.

Frozen **french fries** are in good supply this year, with prices holding steady. There's a strong amount of small specialty cuts, Tater Tots, available at prices that range down to two-thirds of normal . . . There are strong supplies of frozen **peaches**, but prices are steady. . . Frozen **apricot** stocks are down from last year's, but prices have not risen in proportion.

The outlook for the canning **tomato** crop in California is strong despite the continued drought there. Most growers expect to produce crops in last year's range, which was larger than average . . . Even though imports of **mushrooms** are still down for foodservice sizes, prices remain steady as domestic packers maintain increased production.

Expect higher prices for ripe **olives** this year. Prospects for the new pack are down because of damage from California's Christmas freeze last year, and 1991 is an off year for the alternately bearing trees . . . Green olive imports are down overall; however, stuffed olive stocks, most of which come from Spain, are up about 10 percent over last year's with prices fairly stable.

FACT FILE

Who's pouring what in the restaurant world

Who's serving Coke?

McDonald's; Burger King; Domino's Pizza; Denny's; Druther's/Dairy Queen; Ground Round; Hardee's; Little Caesars Pizza; Pizza Inn; Wendy's

Who's serving Pepsi?

Pizza Hut*; Taco Bell*; Kentucky Fried Chicken*; Howard Johnson's; Marriott Corp.; Metromedia Steakhouses; National Amusements; Norwegian Cruise Lines; Sizzler International; Shakey's Pizza; Subway Sandwiches

* Owned by PepsiCo Inc.

Source: Beverage Digest

FINANCIAL DIGEST

Bob Evans boosts annual profits by 15%

COLUMBUS, Ohio — Tighter controls on operating expenses helped Bob Evans Farms post a 15-percent gain in annual profit, to $25 million, on an 11-percent rise in revenues, to $358.2 million, for the year ended April 26.

For the fourth quarter, profits grew at double the annual rate of increase, shooting up 30 percent, to $6 million. Revenues for the three-month period rose 9 percent, to $98.7 million.

The company said stores opened more than a year experienced strong sales gains. When those sales are compared with the corporation's efforts to contain expenses, profits grew.

During the quarter Bob Evans reported a $750,000 extraordinary gain from an insurance settlement stemming from a fire that nearly destroyed one of its sausage plants. The gain was not included in restaurant operating income.

Cracker Barrel's 3rd-Q net jumps 82%

LEBANON, Tenn. — Overcoming the pressures of the recession and some bad press, Cracker Barrel reported an 82-percent increase in third-quarter net income, to $5.3 million, on a 35-percent gain in revenues, to $73.7 million, for the period ended May 3.

The company's revenue growth came largely from new stores. Moreover, despite the slump in travel and leisure activities, Cracker Barrel's units — located mostly along Southeastern highways — continued to enjoy strong patronage from southern-bound travelers.

The company refused to provide any explanation for its gain in profits. For the nine months of the fiscal year, net income rose 55 percent, to $13.2 million, while revenues jumped 56 percent, to $208.5 million.

Some analysts initially suspected that Cracker Barrel's performance would be impacted by news reports of a policy of firing gay employees.

QSR lands worldwide rights to Miami Subs

FORT LAUDERDALE, Fla. — QSR Inc., franchisor and operator of the Miami Subs sandwich concept in Florida, and Miami Subs Corp., holder of worldwide franchise rights, have agreed to merge through a one-to-one stock swap that will leave MSC the surviving publicly held company.

Gus Boulis, chairman of QSR and sole owner of MSC, formed the latter company for the express purpose of acquiring the worldwide licensing rights to Miami Subs and then merging with QSR, which is a Miami Subs master franchisee.

In a registration statement, QSR reported that its shareholders will receive one issue of MSC stock for each QSR share.

Boulis owns all 4.2 million shares of MSC's common stock. When added to QSR's 11 million shares, the total number of shares outstanding after the deal will be 15.2 million issues, of which Boulis will retain 12.2 million.

QSR officials expect the merger to be completed by late summer. The company formed by the deal will trade under the stock symbol SUBS.

Traffic gains buoy Skyline Chili's sales

CINCINNATI — A rebound in customer visits helped advance Skyline Chili's second-quarter revenues by 13 percent, to $4.6 million, while profits improved 11 percent, to $152,000, for the period ended May 12.

The company attributed the gains to sales from its frozen supermarket line of products and a resurgence in restaurant traffic after a weak first quarter. Profits improved primarily on reduced corporate overhead and stabilized labor costs in company-operated stores.

For the six months of the year, net income rose 24 percent, to $291,000, while revenues climbed 3 percent, to $10.3 million.

Love's rolls grill concept, eyes barbecue 'Express' unit

(Continued from page 18)

fin tuna salads, grilled loin-cut lamb chops and baked French onion soup in a crock.

Mesker said the debut of the prototype, the second company-owned restaurant in the 22-unit midscale chain, marks the first phase of an expansion program he devised for the new Tokyo-based owner of Love's. The development of a downscale, limited-service Love's Express barbecue prototype, expected to open late this year, would be the next step, Mesker added.

Last year the Japanese food-service conglomerate Kyotaru Co. Ltd. paid $3.2 million to buy Love's from entrepreneur Harry Shuster and add it to a string of other U.S. ventures. They include a major Arby's franchise, based in Los Angeles; the 54-unit Hungry Hunter/Mountain Jack's steak-house chains, based in San Diego; as well as the 50-unit Acapulco dinner-house chain in California, which Kyotaru acquired in its buyout of New York-based Restaurant Associates.

The 210-seat Love's Bar & Grill, a $1 million conversion of an acquired dinner house, has performed "exceedingly well" since its mid-May opening and has generated weekly sales averaging $33,000, Mesker said. He indicated that the new unit's sales volume runs about 45 percent higher than the chain's systemwide average. Older-style Love's restaurants — which run about 23 percent smaller than the 6,200-square-foot bar and grill — each currently gross an average of nearly $1.2 million a year.

Calling the bar and grill's performance "better than I'd hoped for," Mesker projected first-year sales in the $1.6 million-to-$2 million range and said Love's "will be in the market to do another one" by early next year, also as a company-owned development.

He said the restaurant generates about the same $10-to-$11.50 per-person check average as the older Love's restaurants but "maybe a little less at dinner because of all the grazing options" on the new menu.

The bar and grill's range of appetizers includes Cajun, Buffalo-style and barbecue chicken wings, nachos, quesadillas and chili dishes. The chili, which the menu describes as "made from a secret world's championship recipe given us by the International Chili Society," is a no-beans concoction — an exclusive to Love's — that calls for 5 pounds of meat to the gallon.

The 210-seat Love's Bar & Grill has performed "exceedingly well" since its mid-May opening.

Mesker, a member of the chili society's advisory board, said Love's Bar & Grill is selling 6 to 8 gallons of the chili a day, by the cup ($3.25), bowl ($4.95, with cheese bread), and on fries or tortilla chips ($3.95).

Pizzas, billed as 8-inch appetizers for two or entrées for one, come in six varieties ($4.95-$6.95), including smoked sausage with jalapeño, spicy chicken and sausage, and smoked chicken with green onion. Nine kinds of pasta, including radiatore primavera, fettuccine Alfredo and penne with chicken and pesto, range from $5.95 to $7.95.

A catch of the day and permanent offerings of broiled tuna, swordfish, halibut and pesto shrimp skewers are priced from $11.45 to $14.25. Steaks, chops and prime rib items run $11.75 to $20.95, for a 20-ounce T-bone.

The lunch menu's daily "Blue Plate" special, ranging from "Phyllis Mae's Meat Loaf" on Monday to grilled liver and onions with bacon on Friday, is $4.95.

Among the menu's barbecue items and combinations are the chain's three signature flavors of baby back ribs, two flavors of barbecued chicken and a beef-rib dish. However, "we have slimmed down the variety of plating combos," to fit barbecue into a seven-item menu department at lunch and a nine-item variety at dinner, Mesker said.

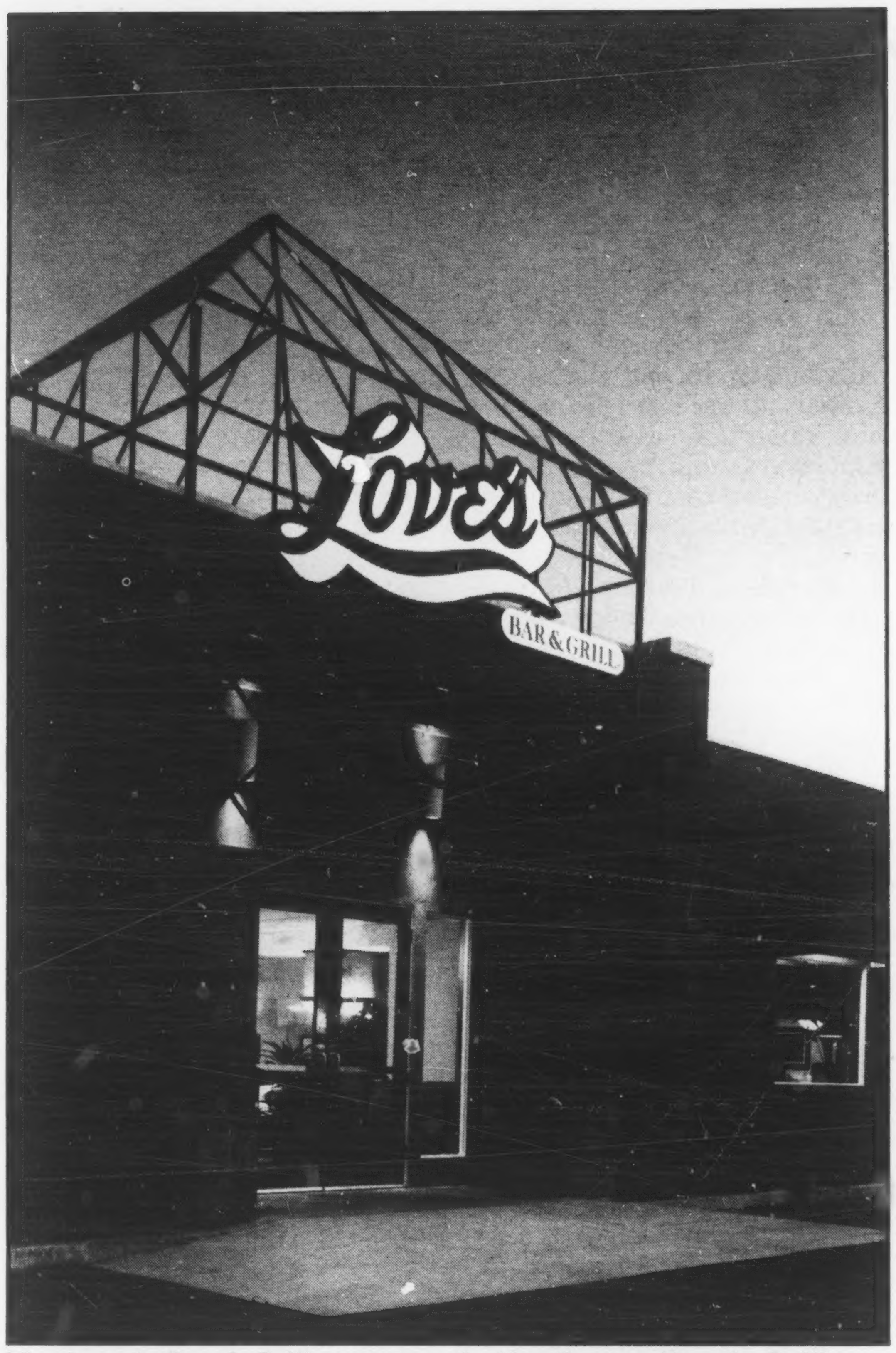
The leatherette-bound "grill-style" menus also include a full page of bar items, featuring brand-name well liquors, nine kinds of beer and a 10-label wine list of California vintages ($11-$20), including six by the glass ($3-$4).

While a cautious Mesker said he "would be very careful" about ever offering single-unit franchises of the more costly and complex Love's Bar & Grill concept, it might someday be rolled out to professional investment groups.

However, the Love's Express concept, which the company has been plotting for several years, is at last being targeted for near-term development — made possible by Kyotaru's backing — as the Laguna Hills chain's sole franchising vehicle.

Mesker, who is currently evaluating three prospective Express-unit sites in Southern California, said the 3,000-to-3,500-square-foot restaurants are being geared to open at a cost of under $300,000 for freestanding build-to-suits or under $400,000 for in-line end-caps.

Annual sales potential is pegged at between $750,000 and $1 million, and check averages of the limited-table-service, barbecue-specialty format are expected to run $5.50 to $6 at lunch and $7 to $9 at dinner.



The Love's Bar & Grill prototype in Huntington Beach, Calif., features art-deco architecture and a trendier menu.

Customers of Love's Express would order and pay at a counter. Servers would deliver orders to the tables and provide full dessert service and beverage refills.

The first Love's Express outlet could open by November, said Mesker, who has headed the chain since 1985 and was also its president from 1973 to 1979, when it was owned by IHOP Corp.

Meanwhile, the Love's chain is preparing to launch a television advertising pitch for a $4.49 baby-back-rib-and-chicken lunch next month, following campaigns in March for the $7.99 "rib tickler" dinner and last month's $7.99 "purely prime" prime rib dinner. Mesker said his chain's customer traffic and sales have been running about even with last year's results.

Ice machines: How to get the best out of them

(Continued from page 38)

70 degrees. Do you have those ideal conditions all year?

A more realistic situation is that your summer water temperature in the kitchen will be nearer 70 degrees, and the air temperature in that kitchen could be 90 degrees. The machine will produce only 480 pounds of ice under those conditions — 13 percent less than its rated capacity.

Let's look at that 550-pound rated machine. If you use the ice steadily throughout the 24 hours, you'll generate about 23 pounds per hour. If you don't use it steadily, the ice may build up if your storage bin is too small. That will automatically cut off the machine until ice in the bin is used, so you'll not be getting the machine's full production.

Let's say you'll need about 75 pounds to load a salad bar just before lunch. In summer you'll use about 65 pounds an hour for beverages over the three-hour lunch period. Already you have a demand of 270 pounds, half of the machine's daily capacity for just four hours.

During the four hours, the machine, if it runs at capacity, would turn out only 92 pounds of ice. That's why ice machines have storage bins. The ice made earlier, when there's little or no demand, will be stored in the insulated bins for use at the peak periods.

Be sure you have enough storage capacity to get the full production from your ice machine. One operator says his rule is to get a machine with ice storage bins that will hold his entire day's use. That way the machine can fill up the bins during the slack periods, especially overnight, when the operation is closed.

There's little danger of running out this way, since the machine will continue to replace at least part of the ice used during the peaks.

There are others, including some ice machine manufacturers, who say that much storage capacity is overkill. They say an average operation needs only as much storage space as the total of all of its peak period uses. In some cases such peak demand and total capacity may be very close. In that situation there is little expansion capability with the planned machine.

If you anticipate your volume will increase, you should consider space for adding a second machine when the first has reached its useful capacity, usually about 85 percent to 90 percent of its rated capacity, depending upon the efficiency of the machine.

Today's ice machines are more efficient than earlier models, and they are able to produce more ice under adverse conditions but there's still a drop from rated capacities when water and air temperatures rise, especially in the summer. However, a combination of suitable environment, a machine that's properly sized for your operation and adequate storage bins should give you good results and low maintenance costs.

Survey: Franchisees seek growth through acquisitions

(Continued from page 14)

"That's the common thread; other than that, the things people [want to buy] run the gamut."

"They'd like to stay within their sector but with other types of operations," Volk said. "A hamburger franchise may not want to acquire other hamburger stores, but they may want [quick-service] chicken restaurants."

The FFCA survey revealed that larger franchises are more likely than smaller operations to seek acquisitions. Seventy percent of respondents with five or more stores said they were interested in acquisitions. In contrast, a willingness to purchase units was expressed by only 62 percent of respondents owning no more than four outlets.

Dinner-house operators were the most likely to express an interest in acquisitions, with 88 percent identifying themselves as shoppers. They were followed by franchisees of seafood concepts (88 percent), pizza chains (81 percent), hamburger places (71 percent), Mexican restaurants (73 percent) and family restaurants (70 percent).

The 909 respondents in FFCA's survey operate a total of 12,421 restaurants.

FFCA provides financing and serves as landlord to a wide array of restaurants.

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Economy stunts Top 100 growth

Recession, discounting takes toll, with few chains enjoying double-digit gains

by Richard Martin

Squeezed by nervous consumers and thwarted by the sluggish economy, many of the industry's 100 highest-grossing chains will end the year with their growth rates compressed and their market shares nibbled by "value" specialists, according to the 1991 Nation Restaurant News Top 100 report.

Only an elite contingent of the 100 chains and 100 companies ranked in the study are expected to attain double-digit annual gains in any of its key measurements of domestic sales and expansion momentum.

Propelled by price slashing, discount dealing, new-unit openings and "more-for-your-money" market positioning, such varied contenders as the Subway sandwich chain, Cracker Barrel family restaurants, Little Caesars Pizza, and the Olive Garden and Chili's casual-theme dining concepts emerged from reams of Top 100 data as growth leaders.

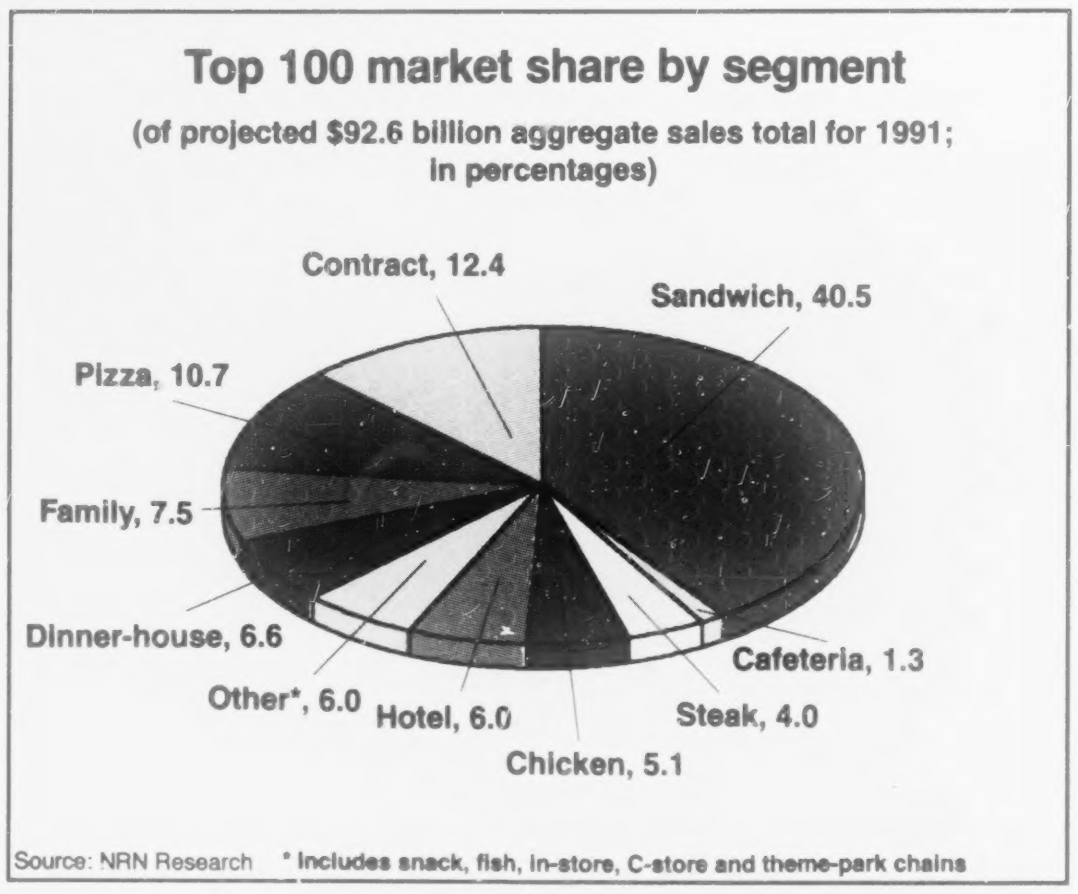
The annual study by the editors of Nation's Restaurant News found that advances by leading chains in the pizza and dinner-house fields enabled those segments to retain roles as sales-growth pacesetters, although the maturing pizza pack has cooled significantly from its torrid pace last year as the group's price-value image faces harsher scrutiny by consumers.

Despite slumps in travel and tourism, the projected results of the struggling — yet innovative — hotel foodservice outfits in the Top 100 gave them third place in the sales-growth-by-segment derby.

But burger chains in the 17-entry sandwich segment continued their slippage, with McDonald's, Burger King and Wendy's again losing shares of that Top 100 category's sales pie — principally to Subway and the feared trendsetter of the value wars, Taco Bell.

NRN's Top 100 report, which ranks the highest-grossing chains and companies by a variety of criteria, clearly shows the nation's economic malaise suppressing the collective performance of those dominant outfits despite their multiunit efficiencies and marketing muscle. Although current-year aggregate sales for the industry's 100 top chains are projected to hit $92.55 bil-

*(See **TOP 100**, page 170)*



Top 100 market share by segment

(of projected $92.6 billion aggregate sales total for 1991; in percentages)

Source: NRN Research * Includes snack, fish, in-store, C-store and theme-park chains

Value war still raging in sandwich segment

by Milford Prewitt

The industry's largest sandwich chains are leaving no stone unturned in their thrust to recover the vigor that made their segment the industry's growth engine for most of the last 30 years.

Although the sandwich category accounts for more than 40 percent of each dollar in the $92.5-billion total projected systemwide sales of NRN's Top 100 in 1991, the segment's biggest players have nevertheless been wounded by consumers who have changed their eating habits. Other major hurdles include saturated markets, negative consumer perceptions about the healthfulness of fast fare and a wallet-thinning recession whose demise may have been prematurely predicted.

But perhaps the biggest challenge sandwich chains face is the relentless discounting war, whose end is not in sight.

Carolyn Levy, a Shearson Lehman restaurant analyst, says that, because of the price war, many operators are in the same paradoxical situation that confronted Alice in Wonderland, running full steam "just to remain in the same place."

"It's no question that discounting will continue," Levy remarks. "McDonald's has to do it because everyone else is doing it. What's happening today is that everyone is running just as hard, and they are in the same place as they were before."

Taco Bell, widely blamed for starting the discount war nearly two years ago with its 59-cent menu items — now priced as low as 39 cents — expects to continue its offensive.

John Martin, president of Taco Bell, said he recently told a gathering of analysts some-

*(See **VALUE**, page 84)*

TACO BELL
3845
TACOS
ORIGINAL EVERDAY

A Taco Bell unit. Taco Bell's discounting strategies have helped boost the chain up in the Top 100 rankings to No. 7.

Hotel chains mount cost-cutting assault against traffic slump

by Peter Romeo

After suffering a dramatic decline in traffic during the first half of 1991, the foodservice departments of many leading lodging chains are trying to temper the damage by boldly cutting costs.

Few areas of operation have been overlooked in the hotel giants' quest to rein in food, labor and administrative outlays.

Menus have been rewritten to incorporate less expensive foods. Purchasing strategies have been revised to permit more bargain hunting.

Payrolls have been combed to eliminate unnecessary positions. And marketing budgets have been slashed, sometimes to nil.

"Operators are looking for every cost-cutting thing they can do," explains Robert Patterson, director of hospitality consulting for the Western division of the Coopers & Lybrand accounting firm. "They're taking some deep gulps, trying to get through a very difficult time."

Already suffering from a glut of hotel rooms, the lodging industry slipped further into a sales slump when the recession slammed the brakes on domestic travel last fall. Room bookings plummeted, shrinking hotel restaurants' primary source of patrons.

The Gulf War aggravated the problem by scaring away visitors from Europe, including large convention groups.

"I don't remember a tougher time in the lodging industry," Patterson explains. "Hotel revenues were down about 10 percent, and food and beverage revenues were probably down proportionately."

"Traffic is down; profits are down; by every measure, things are down," observes Don Clawson, vice president of food and beverage for Radisson Hotels.

"It's not just because of the war and the recession," says Bill Hulbert, vice president of hotel

*(See **HOTELS**, page 112)*

DISCOUNT DINING CLUBS GET MIXED REVIEWS FROM OPERATORS — P. 3

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Vol. 25, No. 30 August 5, 1991

NEWS BRIEFS

Copeland offers to swap chains for $35 million

SAN ANTONIO — Al Copeland has offered to relinquish his rights to the Popeyes and Church's fried-chicken chains in exchange for $35 million.

Copeland and his associates also would be released from all further obligations stemming from the chains' financial difficulties.

The proposals were included in a Chapter 11 reorganization plan that was filed with a bankruptcy court here by Al Copeland Enterprises, Popeyes and Church's franchisor. Copeland sought protection from creditors after defaulting on loans.

The plan also called for a long-term supply agreement between Copeland Enterprises and Diversified Foods & Seasonings, a spice supplier controlled by Copeland.

In addition, the proposals said that all creditors would be paid in full. Holders of Copeland Enterprises' preferred shares would be compensated 50 cents per issue, the plan specified.

The reorganization has yet to be approved by the court and Copeland's lenders, which include Merrill Lynch.

Copeland has been struggling to repay a huge debt stemming from his purchase of Church's in March 1989.

EEOC sides with employers on two points of ADA rules

WASHINGTON — The Bush administration has granted employers two concessions in the final version of sweeping new rules governing the employment of disabled persons.

Regulations recently issued by the Equal Employment Opportunity Commission are intended to stomp out discrimination against physically or mentally impaired job candidates and employees. However, the rules give employers the right to deny employment to a handicapped person whose disability could jeopardize his or her safety at the job site.

Preliminary versions of the regulations did not extend that right to employers. The business community had protested, citing the possibility of having to give a job to someone who could hurt himself in the execution of his duties.

In addition, EEOC regulators rebuffed disabled persons' recommendations that employers be required to provide on-the-job attendants for severely impaired employees. Advocates for the handicapped argued that many handicapped people could not work without employer-provided aides to help them eat or use the bathroom.

The EEOC decided not to write that requirement into the regulations, noting the objections of the business community. However, EEOC chairman Evan Kemp commented that some large businesses could be expected to hire an attendant under other aspects of the rules.

The regulations, which are part of the landmark Americans with Disabilities Act, take effect next July.

Arby's, Sbarro, Vie de France join forces in new unit

CHICAGO — Arby's, Sbarro and Vie de France have teamed up to open their first three-in-one restaurant with shared entrances, signage and dining areas.

The three chains decided to join together rather than fight each other for prime sites in downtown Chicago. "Together, we are much stronger in competing with the competitors that are all around us," said Mario Sbarro, president and chief executive.

Sbarro noted that the shared space allows all three chains to complement each other with menu items that have successful track records, and that it could cut down on the need to regularly test and add new products.

Sbarro's signature menu item is pizza, while Arby's specializes in sandwiches and Vie de France features baked goods.

CIA chooses site in California for second campus

HYDE PARK, N.Y. — The Culinary Institute of America, the renowned culinary school here, has chosen California's wine country as the site of its first satellite campus, CIA president Ferdinand Metz said.

Metz noted that the new California facility will house a continuing education and professional development center, where studies will focus heavily on the dynamics between food and wine. The region's abundance of produce, which is available year round, will also shape the curriculum, he indicated.

"If you're a leader in your field — and we consider ourselves a leader — you have to constantly search for ways to increase your influence," Metz said of the reason behind the CIA's push into California. He added that the California center would play a role in the culinary bachelor's of art program being developed by the school.

Metz said CIA officials have contacted chefs, restaurateurs and wine makers in the Napa, Sonoma and Carneros regions north of San Francisco in an effort to develop a "big pool of potential sites." Asked when the new CIA facility might open, he replied, "As soon as possible."

Police hunt staffer suspected of theft at Canteen facility

OAKLAND, Calif. — Police and FBI agents are searching for a Volume Services employee following the theft of at least $700,000 in foodservice concessions receipts from a safe at the Oakland Coliseum.

Thomas E. Hagins, 29, a concessions manager for the Canteen Corp. division, is suspected of taking six bags of money following a four-day series between the Oakland Athletics and the New York Yankees attended by 162,000 people. Police Sgt. William Gillespie said Hagins was named in arrest warrants charging felony burglary, grand theft, interstate transportation of stolen property and flight to avoid prosecution.

Gillespie said the theft was discovered when an armored car arrived to pick up the money.

Hagins was spotted in Phoenix about a week after the theft and is known to have wired $2,000 to his mother in Ohio.

Keogh named ACF president

HONOLULU — Keith Keogh, executive chef of Walt Disney World EPCOT Center in Florida and captain of the U.S. Culinary Olympics team, was named American Culinary Federation president at the ACF's national convention here.

Keogh takes office in October, succeeding Jack Braun, who is owner-executive chef of Chesterfields Restaurant in North Huntington, Pa., and served two two-year terms. Before running for the presidency, Keogh was vice president of the ACF's Southeast region.

The ACF presidency is determined by an election in which chapters are allotted a number of votes based on the number of paid members.

Founded in 1929 to further the education and professional stature of chefs in America, St. Augustine, Fla.-based ACF claims 18,000 members.

Fast-food chain becomes licensee of Italian concept

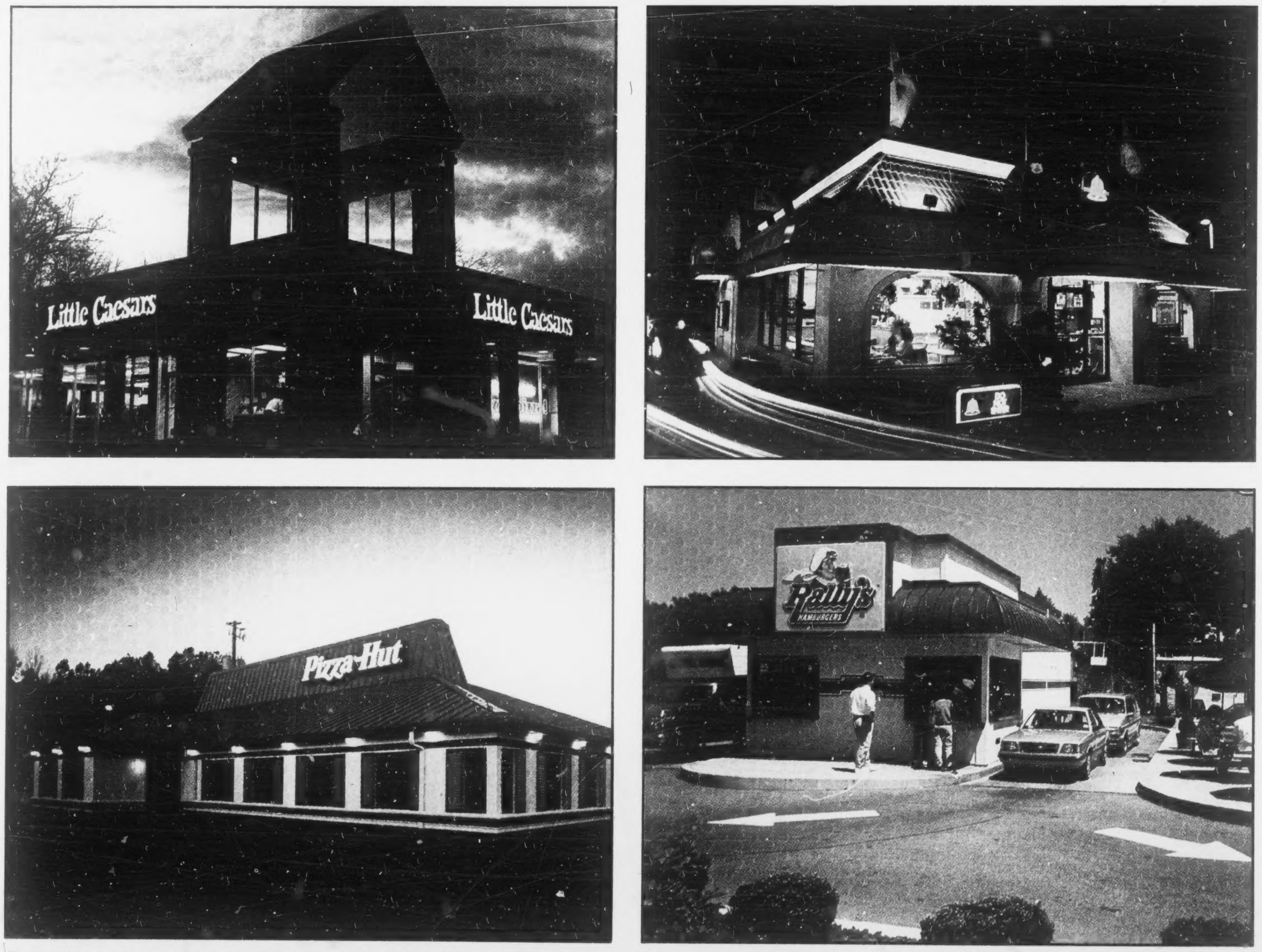
CLEVELAND — Following a host of fast-food chains that have diversified into the full-service segment, the franchisor of Sisters Chicken has become a franchisee of the fast-growing Italian Oven dinner-house chain.

Wyman Corp., which purchased the 40-unit fried-chicken chain from the bankrupt Sis Corp. for $3 million, has inked an agreement with Italian Oven franchisor Fornello USA. The pact gives the company, headed by president and chief executive Bob Wyman, the rights to develop and operate 22 Italian Ovens in 10 counties from Cleveland to Toledo during the next six years.

"The fast-food business is brutal right now," Wyman declared. "For a few dollars more you can eat off dishes, have people wait on you and relax. The two [Italian Oven and Sisters] are not that far apart price wise."

The seven-unit Italian Oven chain features specialty pizzas baked in exhibition-style wood-fired brick ovens, 23 pasta dishes priced around $5, strombolis and calzones, salads, appetizers and Italian sandwiches. Average checks range between $6 and $7, and units average $1.2 million per year.

NRN'S TOP 100



Top 100 chains, clockwise from top left: Little Caesars Pizza (No. 12); Taco Bell (No. 7); Rally's (No. 98); and Pizza Hut (No. 3).

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TOP 100 CHAINS RANKED BY U.S. SYSTEMWIDE FOODSERVICE SALES

1991 Rank	1990 Rank	Chain	Concept	Parent Company	Fiscal Year Ends	U.S. Systemwide Foodservice Sales (By Fiscal Year, in Millions)		
						Current**	Last Full	Prior
1	1	McDonald's	Sandwich	McDonald's Corp.*	Dec. '91	$12,735.0	$12,251.0	$12,012.0
2	2	Burger King	Sandwich	Grand Metropolitan PLC	Sept. '91	6,250.0	6,100.0	5,700.0
3	4	Pizza Hut	Pizza	PepsiCo Inc.*	Dec. '91	4,500.0	4,000.0	3,200.0
4	3	Hardee's [1]	Sandwich	Imasco Ltd.	Dec. '91	4,346.0	4,101.0	3,362.0
5	5	KFC	Chicken	PepsiCo Inc.*	Dec. '91	3,450.0	3,200.0	3,000.0
6	6	Wendy's	Sandwich	Wendy's International Inc.*	Dec. '91	2,891.0	2,762.0	2,793.0
7	8	Taco Bell	Sandwich	PepsiCo Inc.*	Dec. '91	2,780.0	2,461.0	2,134.0
8	7	Domino's Pizza	Pizza	Domino's Pizza Inc.	Dec. '91	2,585.0	2,486.0	2,354.0
9	9	Marriott Management Services	Contract	Marriott Corp.*	Dec. '91	2,410.0	2,340.0	2,120.0
10	10	Dairy Queen	Sandwich	American Dairy Queen Corp.	Nov. '91	2,010.6	1,980.0	1,938.0
11	11	ARA Services/ARASERVE	Contract	ARA Services Inc.	Sept. '91	1,752.4	1,680.8	1,577.0
12	14	Little Caesars Pizza	Pizza	Little Caesar Enterprises Inc.	Dec. '91	1,700.0	1,375.0	1,130.0
13	13	Red Lobster	Dinner House	General Mills Inc.*	May '92	1,520.0	1,400.0	1,340.0
14	12	Denny's	Family	TW Holdings Inc.*	Dec. '91	1,485.9	1,480.2	1,346.9
15	20	Subway	Sandwich	Doctor's Associates Inc.	Dec. '91	1,421.0	1,066.2	777.2
16	16	Arby's	Sandwich	Chesapeake Financial	Dec. '91	1,346.0	1,301.0	1,219.0
17	17	Marriott Hotels & Resorts [2]	Hotel	Marriott Corp.*	Dec. '91	1,286.0	1,216.0	1,106.0
18	15	Canteen Corp.	Contract	TW Holdings Inc.*	Dec. '91	1,220.0	1,370.0	1,400.0
19	19	Big Boy	Family	Elias Bros. Restaurants Inc.	Dec. '91	1,141.5	1,087.9	1,030.0
20	21	Sheraton Hotels	Hotel	ITT Corp.*	Dec. '91	1,132.0	1,046.0	903.7
21	22	Shoney's	Family	Shoney's Inc.*	Oct. '91	1,120.0	991.3	862.4
22	18	Service America	Contract	Servam Inc.	Mar. '92	1,100.0	1,100.0	1,060.0
23	24	Hilton Hotels	Hotel	Hilton Hotels Corp.*	Dec. '91	1,020.7	940.7	841.2
24	23	Jack in the Box	Sandwich	Foodmaker Inc.	Sept. '91	1,020.0	943.2	834.0
25	26	Dunkin' Donuts [3]	Snack	Allied-Lyons PLC	Feb. '92	984.7	912.2	711.6
26	25	7-Eleven	C-store	Southland Corp.	Dec. '91	930.0	930.0	920.8
27	27	Sizzler	Steak	Sizzler Restaurants International Inc.*	Apr. '92	920.8	893.0	861.0
28	28	Long John Silver's	Fish	Long John Silver's Holdings, Inc.	June '92	807.9	790.6	773.3
29	29	Ponderosa	Steak	Metromedia Co.	Feb. '92	771.1	736.3	694.2
30	32	Olive Garden	Dinner House	General Mills Inc.*	May '92	757.0	613.0	450.0
31	30	Host International	Contract	Marriott Corp.*	Dec. '91	667.0	642.0	610.0
32	31	Marriott In-Flite	Contract	Caterair International	Dec. '91	609.0	641.0	557.0
33	33	Disney theme parks and hotels [4]	Theme park	Walt Disney Co.*	Sept. '91	605.4	574.9	495.6
34	34	Carl's Jr.	Sandwich	Carl Karcher Enterprises Inc.*	Jan. '92	602.1	574.4	549.3
35	35	Holiday Inns [5]	Hotel	Bass PLC	Dec. '91	595.1	573.9	547.4
36	40	Chili's Grill & Bar	Dinner House	Brinker International	June '92	580.0	491.0	410.0
37	36	Morrison Custom Management	Contract	Morrison Inc.*	May '92	579.0	541.0	531.0
38	38	Popeye's Chicken	Chicken	Al Copeland Enterprises	Oct. '91	536.0	520.0	510.0
39	41	Baskin-Robbins	Snack	Allied-Lyons PLC	Feb. '92	534.5	483.1	521.0
40	44	T.G.I. Friday's	Dinner House	Carlson Cos.	Dec. '91	525.0	471.0	419.4
41	43	Perkins Family Restaurants	Family	Tennessee Restaurant Co.	Dec. '91	508.7	471.0	423.0
42	48	Sonic Drive-In	Sandwich	Sonic Corp.	Nov. '91	507.1	454.5	390.1
43	37	Friendly's Restaurants	Family	Tennessee Restaurant Co.	Dec. '91	503.8	525.5	558.8
44	47	Chi-Chi's	Dinner House	Foodmaker Inc.	Sept. '91	480.0	458.7	430.5
45	46	Bennigan's	Dinner House	S&A Restaurant Corp.	June '92	472.1	459.2	471.0
46	49	Sky Chefs	Contract	Onex Corp.	Dec. '91	458.0	440.0	394.0
47	50	Golden Corral	Steak	Investors Management Corp.	Dec. '91	454.7	438.6	464.8
48	42	Bonanza	Steak	Metromedia Co.	Feb. '92	451.3	471.8	479.4
49	45	Church's Fried Chicken	Chicken	Al Copeland Enterprises	Oct. '91	439.0	461.0	466.0
50	52	Captain D's Seafood	Seafood	Shoney's Inc.*	Oct. '91	430.0	413.5	392.5

*Denotes publicly held company

**Projected

Source: NRN Research

EXPLANATION OF COLUMN HEADINGS

1991 Rank: The Top 100 chains are ranked, in descending order of size, on the basis of projected systemwide foodservice sales in the U.S. for the current fiscal year. Systemwide sales comprise the combined intake from all franchised and company-owned restaurants, hotels or contract accounts in a system.

1990 Rank: The same 100 chains are ranked on the basis of systemwide sales in their last full fiscal year, as revised from projections published in the 1990 Top 100 report. Chains not assigned a 1990 ranking did not generate sufficient sales in their last full fiscal year to rank among the Top 100 in that year.

Chain: The name of the restaurants, hotels or contract-foodservice operations in a chain, as identified by its signs and logotypes.

Concept: The type of restaurant operated by the chain, as defined generically by the type of food served or a style of service.

Parent company: The business entity that owns a chain's trademarks, licensing rights and copyright. The term is often synonymous with franchisor.

Fiscal year ends: The ending date of the year represented in the "current" year column.

U.S. Systemwide Foodservice Sales: Foodservice sales at all U.S.-based restaurants, hotels or contract locations in a chain, including company-owned and franchised outlets. Sales from manufacturing, distribution and merchandise are excluded, except as footnoted. Figures represent three consecutive years, i.e., "current," "last full" and prior." Amounts for hotels, contractors and in-store feeders exclude all nonfoodservice retail sales, such as income from rooms, souvenirs and general retail.

Source: Data were gathered by the editorial staff of Nation's Restaurant News from chains, companies, franchisees, corporate reports, government documents, financial analysts and other reliable sources. Year-to-date trends and historic information were used to project or estimate current-year sales.

TOP 100 CHAINS RANKED BY U.S. SYSTEMWIDE FOODSERVICE SALES

1991 Rank	1990 Rank	Chain	Concept	Parent Company	Fiscal Year Ends	U.S. Systemwide Foodservice Sales (By Fiscal Year, in Millions) Current*	Last Full	Prior
51	55	Hyatt Hotels	Hotel	Hyatt Hotels Corp.	Jan. '92	407.8	381.9	350.5
52	54	International House of Pancakes	Family	IHOP Corp.	Dec. '91	404.4	385.1	356.6
53	53	Seiler Corp.	Contract	Sodexho Corp.	Aug. '91	403.5	390.0	350.0
54	51	Western Sizzlin'	Steak	Intermark/Triton Group	Dec. '91	402.5	422.8	472.1
55	57	Radisson Hotels	Hotel	Carlson Cos.	Dec. '91	400.0	350.0	278.0
56	60	Ramada Inn	Hotel	Hospitality Franchise System	Dec. '91	381.9	335.1	328.2
57	56	Bob Evans Farms	Family	Bob Evans Farms Inc.*	Apr. '92	380.5	358.2	322.3
58	59	Ryan's Family Steak House	Steak	Ryan's Family Steak Houses Inc.*	Dec. '91	380.0	343.0	295.0
59	62	K mart	In-store	K mart Corp.*	Jan. '92	370.0	327.0	316.0
60	71	Chick-fil-A	Chicken	Chick-fil-A Inc.	Dec. '91	334.0	293.7	263.8
61	65	Luby's Cafeteria	Cafeteria	Luby's Cafeterias Inc.*	Aug. '91	330.0	311.0	283.3
62	61	Circle K	C-store	Circle K Corp.	Oct. '92	328.0	327.2	325.1
63	64	Morrison's	Cafeteria	Morrison Inc.*	May '92	326.9	311.3	312.3
64	67	Whataburger	Sandwich	Whataburger Inc.	Dec. '91	318.4	309.6	300.1
65	58	TCBY	Snack	TCBY Enterprises Inc.*	Nov. '91	318.0	344.3	295.4
66	68	Dobbs International	Contract	The Dial Corp.	Dec. '91	317.5	301.0	277.0
67	66	Round Table Pizza	Pizza	Round Table Franchise Corp.	June '92	317.0	311.0	295.0
68	73	Show Biz/Chuck E. Cheese's [6]	Pizza	Show Biz Pizza Time Inc.	Dec. '91	316.0	289.0	270.1
69	70	White Castle	Sandwich	White Castle System Inc.	Dec. '91	308.0	297.0	282.0
70	69	Piccadilly	Cafeteria	Piccadilly Cafeterias Inc.*	June '92	305.0	300.0	307.0
71	72	Westin Hotels	Hotel	Aoki Corp.	Dec. '91	304.8	291.4	285.6
72	90	Cracker Barrel [7]	Family	Cracker Barrel Old Country Store Inc.*	Aug. '91	295.0	225.5	169.5
73	74	Ground Round	Dinner House	Ground Round Restaurants Inc.	Dec. '91	294.2	283.1	266.9
74	88	Applebee's Neighborhood Grill & Bar	Dinner House	Applebee's Neighborhood Grill & Bar*	Dec. '91	289.3	228.2	147.7
75	75	Quincy's	Steak	TW Holdings Inc.*	Dec. '91	289.0	281.5	263.3
76	79	Sbarro, The Italian Eatery	Pizza	Sbarro Inc.*	Dec. '91	288.5	250.0	197.0
77	63	Rax	Sandwich	Rax Restaurants Inc.*	July '91	288.0	319.2	334.5
78	80	Bakers Square	Family	Vicorp Inc.	Oct. '91	282.0	249.0	216.8
79	76	Waffle House	Family	Waffle House Inc.	June '92	277.5	274.0	270.5
80	84	ServiceMaster Food Management Services	Contract	ServiceMaster L.P.	Dec. '91	270.0	239.0	228.0
81	78	Del Taco [8]	Sandwich	Del Taco Inc.	Dec. '91	267.2	255.0	247.1
82	77	El Torito	Dinner House	Restaurant Enterprises Group Inc.	Dec. '91	263.6	258.4	244.6
83	81	Marie Callender's	Family	Wilshire Restaurant Group	Dec. '91	258.8	246.5	225.1
84	82	Ogden Allied Entertainment Services	Contract	Ogden Corp.*	Dec. '91	250.0	244.5	224.0
85	86	Restaura	Contract	The Dial Corp.	Dec. '91	249.0	230.0	253.0
86	83	Village Inn	Family	Vicorp Inc.	Oct. '91	246.0	240.5	234.6
87	89	Sportservice	Contract	Delaware North Cos.	Dec. '91	244.1	226.7	209.0
88	100	The Wood Co.	Contract	The Albert Abela Corp.	Dec. '91	237.0	198.3	172.7
89	87	Godfather's Pizza	Pizza	Godfather's Pizza Inc.	May '92	236.0	229.0	236.0
90	92	Dobbs Houses	Contract	The Dial Corp.	Dec. '91	231.0	220.0	197.0
91	91	Stuart Anderson's Black Angus	Dinner House	American Restaurant Group	Dec. '91	230.4	221.4	216.0
92	—	Gardner Merchant Food Services [9]	Contract	Gardner Merchant Ltd.	Jan. '92	230.0	178.0	124.0
93	93	Steak and Ale	Dinner House	S&A Restaurant Corp.	June '92	225.5	216.8	222.4
94	85	Furr's Cafeterias	Cafeteria	Furr's/Bishop's Cafeterias L.P.*	Dec. '91	225.0	230.0	231.3
95	96	Ruby Tuesday	Dinner House	Morrison Inc.*	May '92	225.0	208.0	189.0
96	98	Six Flags amusement parks [10]	Theme park	Six Flags Corp.	Dec. '91	221.7	201.7	196.9
97	94	Concession Air	Contract	Delaware North Cos.	Dec. '91	218.4	212.0	195.3
98	—	Rally's [11]	Sandwich	Rally's Inc.*	Dec. '91	215.6	177.2	132.6
99	99	Krystal	Sandwich	The Krystal Co.	Dec. '91	210.0	201.0	193.0
100	—	Tony Roma's - A Place for Ribs	Dinner House	Roma Corp.	Feb. '92	209.9	198.2	180.5
		TOTAL:				$92,554.3	$87,382.8	$80,855.8

*Denotes Publicly Held Company
**Projected
Source: NRN Research

FOOTNOTES

[1] Sales and unit data in Top 100 reflect growth of Hardee's system through its ongoing conversion of units in the Roy Rogers chain, which Hardee's Food Systems acquired in April 1990. Approximately 450 conversions were completed by mid-1991; the remaining 200 Roy Rogers expected to be converted by 1993.

[2] Includes results of Courtyard by Marriott hotels.

[3] Last full year comprised a 14-month reporting period (fiscal year end was changed from October to February).

[4] Disney Co. data in Top 100 reflect results of four theme parks and nine hotels, a total of 13 units. Sales-per-unit data (in separate table) are skewed because each theme park, comprising a multiplicity of dissimilar food outlets, is treated as a single unit.

[5] Holiday Inns' headquarters has been moved to Atlanta from Memphis, Tenn.

[6] Sales amounts inadvertently include revenues from games and merchandise (approximately 24.2 percent of annual totals); exclusion of nonfoodservice income would reduce chain's current-year figures to $239.5 million and lower its 1991 ranking to No. 87 (1990 sales would be $219.0 million and rank would be No. 92). All data for the chain reflect aggregate figures for the ShowBiz and Chuck E. Cheese's systems, whose menus and operating formats are identical. (ShowBiz Pizza Time Inc. is currently undertaking the phased, market-by-market conversion of all ShowBiz outlets to the Chuck E. Cheese's brand.)

[7] Last full year, ended August 3, 1990, comprised a 53-week reporting period.

[8] Del Taco's Top 100 chain data reflect aggregate results of approximately 424 outlets in franchise system of Del Taco Inc., Costa Mesa, Calif., and approximately 66 outlets in system of its licensee, Atlanta-based Del Taco Restaurants Inc.

[9] Formerly named Trusthouse Forte Food Services (changed June 10). Gardner Merchant's current-year results include income from 21 business & industry contract accounts recently acquired from Ogden Allied Services Corp.

[10] Includes revenues from some on-site games.

[11] Rally's Top 100 data were recalculated and expressed for the 3-year period to reflect chain's 1990 change from a mid-year to a calendar-year fiscal-year closing.

TOP 100 COMPANIES RANKED BY U.S. FOODSERVICE REVENUE

1991 Rank	1990 Rank	Company	Chains	Fiscal Year Ends	U.S. Food & Beverage Revenue (By iscal Year, In Millions)		
					Current**	Last Full	Prior
1	1	PepsiCo Inc.*	Pizza Hut, Taco Bell, Kentucky Fried Chicken	Dec. '91	$ 6,400.0	$ 5,540.0	$ 4,680.0
2	2	McDonald's Corp.*	McDonald's	Dec. '91	5,276.0	4,927.0	3,923.0
3	3	Marriott Corp.*[1]	Marriott Hotels, Marriott Management Services, Host Int'l	Dec. '91	4,577.0	4,762.2	5,262.0
4	4	TW Holdings Inc.*	Denny's, Hardee's, Quincy's, El Pollo Loco, Canteen Corp.	Dec. '91	3,800.0	3,700.0	3,500.0
5	5	General Mills Inc.*	Red Lobster, Olive Garden	May '92	2,277.0	2,010.0	1,790.0
6	6	Imasco Ltd.*	Hardee's, Roy Rogers	Dec. '91	2,017.0	1,846.0	1,477.0
7	7	ARA Services Inc.	ARASERVE, ARA Leisure Services	Sept. '91	1,752.4	1,680.8	1,577.0
8	8	Foodmaker Inc.	Jack in the Box, Chi-Chi's	Sept. '91	1,200.0	1,119.0	1,025.0
9	10	Grand Metropolitan PLC	Burger King	Sept. '91	1,140.0	1,043.6	910.0
10	11	Carlson Cos.	T.G.I. Friday's, Dalt's, Radisson Hotels, Country Kitchen	Dec. '91	1,139.1	1,026.2	896.2
11	9	Servam Inc.	Service America Food Service	Mar. '92	1,100.0	1,100.0	1,060.0
12	12	Wendy's International Inc.*	Wendy's	Dec. '91	1,060.0	1,010.8	1,069.0
13	14	Morrison Inc.*	Morrison's Cafeterias, Morrison's Custom Management, Ruby Tuesday's	May '92	972.4	900.5	829.2
14	13	Restaurant Enterprises Group Inc.[2]	El Torito, Casa Gallardo, Carrow's, Coco's, Reuben's, Charley Brown's	Dec. '91	919.0	902.0	870.0
15	16	Dial Corp.*	Dobbs International/Dobbs Houses, Greyhound Food Mgmt., Burger King	Dec. '91	808.0	761.0	737.0
17	19	S&A Restaurant Corp.	Bennigan's, Steak and Ale	June '92	697.6	676.0	693.4
17	19	S&A Restaurant Corp.	Bennigan's, Steak and Ale	June '92	697.6	676.0	693.4
18	17	Domino's Pizza Inc.	Domino's Pizza	Dec. '91	694.4	696.1	754.8
19	20	Southland Corp.*	7-Eleven	Dec. '91	669.0	669.0	661.0
20	18	Tennessee Restaurant Co.*	Perkins Family Restaurants, Friendly Ice Cream	Dec. '91	660.0	677.0	707.0
21	21	Caterair International	Marriott In-flite	Dec. '91	609.0	641.0	557.0
22	22	Walt Disney Co.*	Disney theme parks, hotels	Sept. '91	605.4	574.9	495.6
23	23	Long John Silver's Holdings Inc.[3]	Long John Silver's	June '92	563.4	552.4	544.7
24	24	Sodexho*	The Seiler Corp., Boatel, Food Dimensions Inc.	Aug. '91	526.0	511.0	472.0
25	29	Little Caesars Enterprises Inc.	Little Caesars Pizza	Dec. '91	523.0	430.0	347.0
26	30	Brinker International*[4]	Chili's Grill & Bar, Regas Grill, Romano's Macaroni Grill	June '92	520.0	426.0	347.0
27	27	Onex Corp.	Sky Chefs, Southwest Dining Services	Dec. '91	500.0	471.0	417.0
28	26	Carl Karcher Enterprises*	Carl's Jr.	Jan. '92	497.0	474.0	472.0
29	28	Delaware North Cos.	Concession Air, Sportservice	Dec. '91	462.5	438.7	404.0
30	33	Ogden Corp.*	Ogden Allied entertainment, leisure and aviation services	Dec. '91	448.0	408.0	379.4
31	31	American Restaurant Group Inc.	Stuart Anderson's, Grandy's, Spoons Grill & Bar, Spectrum Foods	Dec. '91	436.7	425.2	416.4
32	34	Vicorp Restaurants Inc.*	Bakers Square, Village Inn	Oct. '91	428.0	394.4	359.2
33	32	Metromedia Steakhouses, Inc.	Ponderosa Steakhouses, Bonanza Family Restaurants	Feb. '92	425.4	425.1	421.3
34	25	Al Copeland Enterprises[5]	Popeye's, Church's	Dec. '91	425.0	485.0	445.0
35	35	Hyatt Hotels Corp.	Hyatt hotels, resorts	Jan. '92	407.8	381.9	350.5
36	36	Investors Management Corp.	Golden Corral Family Steakhouse, Oh! Brian's, Church's Chicken	Dec. '91	407.0	377.4	462.4
37	76	Kyotaru Co. Ltd.[6]	Restaurant Associates (Acapulco, Charlie Brown's), Love's, Paragon Steakhouses, KFF Management (Arby's)	Dec. '91	403.5	156.3	29.3
38	37	Sizzler International Inc.*[7]	Sizzler Steak Seafood & Salad, Sizzler Buffet Court & Grill	April '92	385.0	366.0	333.0
39	38	Bob Evans Farms Inc.*	Bob Evans Restaurants, Owens Family Restaurant	April '92	380.0	358.2	322.3
40	39	K mart Corp.*	K mart cafeterias, K mart deli and snacks	Jan. '91	370.0	327.0	316.0
41	46	Chick-fil-A Inc.	Chick-fil-A	Dec. '91	334.0	293.7	263.8
42	49	Ryan's Family Steak Houses Inc.*	Ryan's Family Steak House	Dec. '91	330.3	285.7	253.0
43	42	Luby's Cafeterias Inc.*	Luby's Cafeterias	Aug. '91	330.0	311.0	283.3
44	48	National Pizza Co.*	Pizza Hut, Skipper's Seafood	Mar. '92	325.0	286.1	198.4
45	40	The Circle K Corp.	Circle K Convenience Stores	April '92	322.0	322.0	320.8
46	41	Boddie-Noell Enterprises Inc.	Hardee's, Skats	Sept. '91	320.0	315.0	305.0
47	56	Gardner Merchant Ltd.	Gardner Merchant Foodservices, Trusthouse Forte Hotels, Travel Lodge, Thrift Lodge	Jan. '92	317.0	246.0	229.0
48	45	White Castle System Inc.	White Castle	Dec. '91	308.0	297.0	282.0
49	47	Aoki Corp.	Westin Hotels	Dec. '91	307.1	292.3	285.6
50	44	Piccadilly Cafeterias Inc.*	Piccadilly Cafeterias	June '92	305.0	300.0	307.0

*Denotes publicly held company
**Projected
Source: NRN Research

EXPLANATION OF COLUMN HEADINGS

1991 Rank: The Top 100 companies are ranked, in descending order of magnitude, on the basis of projected corporate foodservice revenues from U.S. operations in the current fiscal year.

1990 Rank: The same 100 companies are ranked on the basis of U.S. foodservice revenue in their last full fiscal year, as revised from projections published in the 1990 Top 100 report. Companies not assigned a 1990 ranking did not generate sufficient revenue in their last full fiscal year to rank among the Top 100 in that year.

Company: The business entity that ultimately owns the specified foodservice revenues; not an owned subsidiary that may function as a parent company.

Chains: The names of chains or restaurant groups operated or franchised by the company. In some instances the listed chain is a type of operation, such as a contract foodservice system or hotel group.

Fiscal year ends: The ending date of the fiscal year represented in the "current" year column.

U.S. Food & Beverage Revenue: Domestically generated foodservice dollars collected by the company. Included are sales at company-owned operations; sales royalties and fees collected from franchisees; and proceeds from routine asset sales and divestitures by foodservice divisions. Excluded from revenues are sales at franchised restaurants; revenues generated by manufacturing or wholesaling products; revenues generated through sales of processed foods at supermarkets; distribution revenues; other revenues from non-foodservice sales at restaurants; and revenues from foreign operations. Figures represent three consecutive years, i.e., "current," "last full" and "prior." Amounts for hotels, contractors and in-store feeders exclude all non-foodservice retail sales, such as income from rooms, souvenirs and general retail.

Source: Data were gathered by the editorial staff of Nation's Restaurant News from chains, companies, franchisees, corporate reports, government documents, financial analysts and other reliable sources. Year-to-date trends and historic information were used to project or estimate current-year sales.

TOP 100 COMPANIES RANKED BY U.S. FOODSERVICE REVENUE

1991 Rank	1990 Rank	Company	Chains	Fiscal Year Ends	U.S. Food & Beverage Revenue (By iscal Year, In Millions)		
					Current**	Last Full	Prior
51	51	ITT Corp.	Sheraton Hotels	Dec. '91	$ 302.1	$ 276.0	$ 253.5
52	43	Gilbert/Robinson Inc. [8]	Houlihan's, Darryl's, Charley's Place	Dec. '91	299.0	300.3	283.7
53	60	Cracker Barrel Old Country Store Inc.* [9]	Cracker Barrel Old Country Store	Aug. '91	295.0	225.5	169.5
54	53	Hilton Hotels Corp.*	Hilton hotels, casinos	Dec. '91	277.2	255.5	233.3
55	50	Furr's/Bishop's Cafeterias L.P.*	Furr's Cafeteria's, Bishop's Cafeterias	Dec. '91	270.0	282.9	285.5
56	58	ServiceMaster L.P.*	ServiceMaster contract feeding	Dec. '91	269.0	239.0	228.0
57	52	Elias Bros. Restaurants Inc.	Big Boy, Top Hat contracting	Dec. '91	268.0	256.0	250.0
58	54	TPI Enterprises*	Shoney's, Captain D's, Hungry Fisherman	Dec. '91	266.0	252.7	241.9
59	55	Riese Organization	Houlihan's, T.G.I. Friday's, Charley O's, Ground Round, El Torito	April '92	250.0	250.0	240.0
60	59	RTM Inc.	Arby's, Mrs. Winner's Chicken & Biscuits	May '92	245.0	233.0	192.0
61	57	Nestle S.A.	Stouffer Hotels, J.B. Winberie, Cheese Cellar	Dec. '91	241.6	245.9	244.7
62	69	The Albert Abela Corp.	Wood Co. contract food services	Dec. '91	237.0	198.3	172.7
63	62	Daka International*	Daka contract food services, Fuddruckers	June '92	225.6	215.1	209.3
64	61	Ground Round Restaurants Inc. [10]	Ground Round	Dec. '91	224.1	215.6	20.0
65	67	Six Flags Corp.	Six Flags amusement parks	Dec. '91	221.7	201.7	196.9
66	66	Harman Management Corp.	Kentucky Fried Chicken	June '92	219.2	206.9	178.8
67	63	Whataburger Inc.	Whataburger	Sept. '91	218.4	212.6	215.0
68	70	Sbarro Inc.*	Sbarro The Italian Eatery	Dec. '91	218.0	190.0	147.0
69	71	Unigate Restaurants	Taco Bueno, Casa Bonita, Black-eyed Pea, Crystal's	Apr. '92	216.0	189.4	165.4
70	84	Buffets Inc.*	Old Country Buffet	Jan. '92	212.5	145.8	115.7
71	68	Krystal Shares Inc.	Krystal	Dec. '91	210.0	201.0	193.0
72	65	Harry M. Stevens Inc.	Harry M. Stevens contract food services	Dec. '91	207.5	210.0	228.0
73	74	Specialty Restaurants Corp.	94th Aero Squadron, Baby Doe's Matchless Mine, Crawdaddy's	July '92	188.9	184.3	194.0
74	72	Wyatt Cafeterias Inc.	Wyatt Cafeterias	Dec. '91	182.1	187.2	176.3
75	75	Woolworth Corp.*	Woolworth in-store, Burger King, Harvest House	Jan. '91	175.3	172.8	170.0
76	79	Club Corp. of America Inc.	Private clubs and resorts	Dec. '91	175.0	150.0	139.0
77	64	DWG Corp.	Arby's Inc., Daddy-O's	Dec. '91	172.0	212.0	184.0
78	78	Allied-Lyons PLC [11]	Baskin-Robbins, Dunkin' Donuts	Feb. '92	162.8	150.7	24.5
79	80	Chart House Enterprises Inc.*	The Chart House, Paradise Bakery	Dec. '91	161.0	149.9	139.6
80	89	ShowBiz Pizza Time Inc.* [12]	Chuck E. Cheese, ShowBiz Pizza, Monterey Tex-Mex Cafe	Dec. '91	155.9	137.6	126.9
81	82	Carrols Corp.	Burger King	Dec. '91	155.6	149.5	145.5
82	81	Brown Derby Inc.	Brown Derby	May '91	151.0	149.7	148.5
83	77	RPM Pizza Inc.	Domino's Pizza	Dec. '91	150.0	153.6	126.0
84	85	Del Taco Inc. [13]	Del Taco, Naugles	Dec. '91	148.0	145.0	140.0
85	90	Pizza Management Inc.	Pizza Hut, Taco Bell, El Criollito	June '92	147.9	132.8	120.6
86	83	Frisch's Restaurants Inc.*	Big Boy, Hardee's	June '92	146.0	146.0	146.8
87	86	W.H. Braum Inc.	Braum's Ice Cream and Dairy Stores	Dec. '90	145.7	139.9	130.0
88	91	Mrs. Fields Inc.*	Mrs. Fields Cookies, La Petite Boulangerie	Dec. '91	136.6	130.1	120.1
89	87	Papa Gino's of America Inc. [14]	Papa Gino's Pizza & More	Sept. '91	135.0	138.5	134.1
90	93	Lyon's Restaurants Inc.	Lyon's Restaurants	June '92	134.0	122.0	109.0
91	92	Waffle House Inc.	Waffle House	June '92	130.0	130.0	120.0
92	96	JB's Restaurants Inc.*	Sbarro, Inc.	Sept. '91	128.0	114.8	109.4
93	88	Promus Cos.*	Harrah's Casinos, Embassy Suites	Dec. '91	125.5	138.4	144.2
94	95	Consolidated Products Inc.*	Steak 'n Shake, Jeremiah Sweeney's, Santini's Italian Cafe	Sept. '91	123.4	116.1	108.7
95	94	Wilshire Restaurant Group	Marie Callender's	Dec. '91	117.5	117.4	116.5
96	—	Doctor's Associates Inc.	Subway, Cajun Joe's	Dec. '91	117.0	94.0	89.0
97	97	Shato Holdings Ltd.	Winchell's Donut Houses, Rolling Pin Donuts	Mar. '92	115.0	113.6	41.2
98	99	Sybra Inc.	Arby's Roast Beef Restaurants	Dec. '91	105.0	103.6	93.6
99	73	Greenleaf Ventures Inc. [15]	Carlos Murphy's, Rusty Pelican	Oct. '91	104.5	185.7	219.2
100	—	IHOP Corp.* [16]	International House of Pancakes	Dec. '91	101.1	97.3	86.9
		TOTAL:			$59,827.7	$56,350.1	$51,825.6

*Denotes Publicly Held Company
**Projected
Source: NRN Research

FOOTNOTES

[1] Results for 1989 include income of $557 million from Marriott In-Flite division, which Marriott sold that year.

[2] Results for prior years are restated to reflect divestitures of Mor Food 'N Fun division, in 1990, and Gilbert/Robinson division, in 1989.

[3] Formerly named Jerrico Inc.

[4] Formerly named Chili's Inc.

[5] Company currently operates under Chapter 11 of the federal bankruptcy code.

[6] Revenue growth reflects 1989 acquisition and subsequent expansion of KFF Mgmt. division (Calif. Arby's franchises) and 1990 acquisitions of Love's barbecue chain; Restaurant Associates group (Acapulco Mexican chain, Mamma Leone's, Charlie Brown's, etc.); and Paragon Steakhouses (Hungry Hunter/Mountain Jack's).

[7] Formerly named Collins Foods Inc. Results restated to reflect recent divestiture of its 209 KFC units and buyout of the 34 percent share of Sizzler's stock that Collins did not already hold.

[8] Last full year results reflect a 53-week reporting period.

[9] Last full year, ended August 3, 1990, comprised a 53-week reporting period.

[10] Formerly named GR Foods Inc., a name adopted last year by the former International Proteins Corp. The smaller "previous" year revenue figure reflects the company's acquisition of the Ground Round chain in November 1989.

[11] Results exclude income from Mister Donut chain, which company operates only in Canada.

[12] Annual revenue figures exclude income from games and merchandise.

[13] Company is a separate entity from its Atlanta-based licensee, Del Taco Restaurants Inc.

[14] Last full year, ended Sept. 1990, comprised a 53-week reporting period.

[15] Formerly named Paragon Restaurant Group. Results for last full year reflect sale of Paragon Steakhouses division (Hungry Hunter/Mountain Jack's) to Kyotaru Co. in June 1990.

[16] IHOP Corp. made its initial public stock offering on July 12, 1991.

ALPHABETIC DIRECTORY OF TOP 100 COMPANIES

(Use numeric rankings to locate projected 1991 results of companies in key Top 100 tables)

Company	Company Headquarters	1991 Rankings	
		Foodservice Revenue	Revenue Growth Rate
Al Copeland Enterprises	Jefferson, La.	34	98
Allied-Lyons PLC	London, England	78	31
American Restaurant Group Inc.	Newport Beach, Calif.	31	65
Aoki Corp.	Tokyo, Japan	49	49
ARA Services Inc.	Philadelphia, Pa.	7	56
Bob Evans Farms Inc.	Columbus, Ohio	39	42
Boddie-Noell Enterprises Inc.	Rocky Mount, N.C.	46	72
Brinker International	Dallas, Texas	26	6
Brown Derby Inc.	Dedham, Mass.	82	76
Buffets Inc.	Eden Prairie, Minn.	70	2
Carl Karcher Enterprises	Anaheim, Calif.	28	53
Carlson Cos.	Minnetonka, Minn.	10	22
Carrols Corp.	Syracuse, N.Y.	81	58
Caterair International	Potomac, Md.	21	96
Chart House Enterprises Inc.	Solana Beach, Calif.	79	34
Chick-fil-A Inc.	Atlanta, Ga.	41	14
Club Corp. of America Inc.	Dallas, Texas	76	9
Consolidated Products Inc.	Indianapolis, Ind.	94	38
Cracker Barrel Old Country Store Inc.	Lebanon, Tenn.	53	3
Daka International	Wakefield, Mass.	63	51
Del Taco Inc.	Costa Mesa, Calif.	84	68
Delaware North Cos.	Buffalo, N.Y.	29	44
Dial Corp.	Phoenix, Ariz.	15	39
Doctor's Associates Inc.	Milford, Conn.	96	5
Domino's Pizza Inc.	Ann Arbor, Mich.	18	86
DWG Corp.	Miami, Fla.	77	99
Elias Bros. Restaurants Inc.	Warren, Mich.	57	54
Foodmaker Inc.	San Diego, Calif.	8	35
Frisch's Restaurants Inc.	Cincinnati, Ohio	86	80
Furr's/Bishop's Cafeterias L.P.	Lubbock, Texas	55	95
Gardner Merchant Ltd.	Kenley, England	47	4
General Mills Inc.	Orlando, Fla.	5	17
Gilbert/Robinson Inc.	Kansas City, Mo.	52	87
Grand Metropolitan PLC	London, England	9	28
Greenleaf Ventures Inc.	San Diego, Cal.	99	100
Ground Round Restaurants Inc.	So. Weymouth, Mass.	64	59
Harman Management Corp.	Los Altos, Calif.	66	43
Harry M. Stevens Inc.	Cranbury, N.J.	72	88
Hilton Hotels Corp.	Beverly Hills, Calif.	54	30
Hyatt Hotels Corp.	Chicago, Ill.	35	37
IHOP Corp.	Glendale, Cal.	100	60
Imasco Ltd.	Montreal, Canada	6	27
Investors Management Corp.	Raleigh, N.C.	36	33
ITT Corp.	Boston, Mass.	51	26
JB's Restaurants Inc.	Salt Lake City, Utah	92	20
K mart Corp.	Troy, Mich.	40	18
Krystal Shares Inc.	Chattanooga, Tenn.	71	55
Kyotaru Co. Ltd.	Tokyo, Japan	37	1
Little Caesars Enterprises Inc.	Detroit, Mich.	25	7
Long John Silver's Holdings Inc.	Lexington, Ky.	23	69
Luby's Cafeterias Inc.	San Antonio, Texas	43	41
Lyon's Restaurants Inc.	Foster City, Calif.	90	24
Marriott Corp.	Washington, D.C.	3	94
McDonald's Corp.	Oak Brook, Ill.	2	36
Metromedia Steakhouses, Inc.	Dayton, Ohio	33	78
Morrison Inc.	Mobile, Ala.	13	32
Mrs. Fields Inc.	Park City, Utah	88	50
National Pizza Co.	Pittsburg, Kan.	44	15
Nestle S.A.	Vevey, Switzerland	61	89
Ogden Corp.	New York, N.Y.	30	25
Onex Corp.	Toronto, Canada	27	40
Papa Gino's of America Inc.	Dedham, Mass.	89	92
PepsiCo Inc.	Purchase, N.Y.	1	11
Piccadilly Cafeterias Inc.	Baton Rouge, La.	50	71
Pizza Management Inc.	San Antonio, Texas	85	21
Promus Cos.	Memphis, Tenn.	93	97
Restaurant Enterprises Group Inc.	Irvine, Calif.	14	70
Riese Organization	New York, N.Y.	59	81
RPM Pizza Inc.	Gulfport, Miss.	83	90
RTM Inc.	Atlanta, Ga.	60	48
Ryan's Family Steak Houses Inc.	Greer, S.C.	42	10
Sbarro Inc.	Commack, N.Y.	68	12
Servam Inc.	Stamford, Conn.	11	82
ServiceMaster L.P.	Downers Grove, Ill.	56	19
Shato Holdings Ltd.	Vancouver, Canada	97	75
Shoney's Inc.	Nashville, Tenn.	16	79
ShowBiz Pizza Time Inc.	Irving, Texas	80	16
Six Flags Corp.	Arlington, Texas	65	23
Sizzler International Inc.	Los Angeles, Calif.	38	47
Sodexho	Paris, France	24	63
Southland Corp.	Dallas, Texas	19	83
Specialty Restaurants Corp.	Anaheim, Calif.	73	67
Sybra Inc.	Atlanta, Ga.	98	74
S&A Restaurant Corp.	Dallas, Texas	17	62
Tennessee Restaurant Co.	Itasca, Ill.	20	91
Albert Abela Corp., The	London, England	62	8
Circle K Corp., The	Phoenix, Ariz.	45	84
TPI Enterprises	Memphis, Tenn.	58	46
TW Holdings Inc.	Spartanburg, S.C.	4	66
Unigate Restaurants	Dallas, Texas	69	13
Vicorp Restaurants Inc.	Denver, Colo.	32	29
Waffle House Inc.	Norcross, Ga.	91	85
Walt Disney Co.	Burbank, Calif.	22	45
Wendy's International Inc.	Dublin, Ohio	12	52
Whataburger Inc.	Corpus Christi, Texas	67	64
White Castle System Inc.	Columbus, Ohio	48	61
Wilshire Restaurant Group	Orange, Calif.	95	77
Woolworth Corp.	New York, N.Y.	75	73
Wyatt Cafeterias Inc.	Dallas, Texas	74	93
W.H. Braum Inc.	Oklahoma City, Okla.	87	57

Source: NRN Research

WELCOME TO NRN'S TOP 100

by Richard Martin
NRN Top 100 Project Director

Nation's Restaurant News proudly presents its annual Top 100 report, which is widely regarded as foodservice's most reliable and graphic appraisal of growth and change in the industry's highest-grossing chains and companies.

The product of hundreds of man-hours of research and reporting by NRN's editors, the Top 100 study offers forward-looking and penetrating insights into the dynamics shaping the U.S. food and beverage marketplace.

Top 100 utilizes a variety of yardsticks to measure the performances and growth rates of the industry's front-line contenders. The study provides in detail a chain-by-chain and segment-by-segment evaluation of a group whose aggregate volumes equal fully 37 percent of the estimated sales of the U.S. foodservice industry.

Differing from other industry studies and rankings, Top 100 takes a more detailed and focused look at the largest chains and companies by painstakingly excluding their foreign and non-foodservice results.

Thus, the report paints an uncommonly vivid picture of those chains — and those market and menu categories — that are slicing off the biggest wedges of the U.S. foodservice pie.

The remarkable accuracy of Top 100's current-year projections, which form the basis of the study's primary rankings, has once again been underscored by a re-evaluation of the projected results from last year's study.

NRN's Top 100 report for 1990, based on findings at its midyear deadline a year ago, projected that sales by the industry's 100 top-grossing chains would total $87.68 billion for the full year. The final results for 1990 — the "last full year" column in this year's report — show a total of $87.38 billion, a difference of only 0.3 percent from the forecast.

The projected aggregate revenues of the Top 100 companies last year was $56.58 billion, and the year-end result — off by only 0.4 percent — was $56.35 billion.

Moreover, the report examines system sales, unit volume, sales growth, chain growth and franchise expansion over a three-year span running through the end of each organization's current fiscal year.

The sole criterion for inclusion of chains in the Top 100 study each year is U.S. systemwide foodservice sales; for companies, the basis for inclusion is U.S. foodservice revenues. The qualifying threshold for this year's class of Top 100 chains was $209.9 million in domestic foodservice sales; for companies, it was $101.1 million in domestic foodservice revenues.

Only those organizations whose volumes exceed those particular sales and revenue levels were included in the Top 100 statistical universe.

In addition to the basic sales-based rankings, the Top 100 chains are separately positioned according to a variety of other criteria, including their number of domestic units and sales per unit as well as by year-to-year growth rates in both those categories.

In addition, chains are ranked on the basis of the growth rates of their systemwide sales, number of units and per-unit sales. The growth rates of chains' franchise systems is another measurement presented in the study.

In addition to being assigned rankings on the basis of their revenues, the Top 100 companies are listed in order of magnitude of their revenue-growth rates.

Chains, within their respective market segments, are also ranked in direct comparison to those competitors that also qualify for inclusion in the Top 100. Market-share rankings accompanying each segment analysis indicate the share of aggregate sales generated only by that segment's chains that are in the Top 100.

ALPHABETIC DIRECTORY OF TOP 100 CHAINS

(Use numeric rankings to locate projected 1991 results of chains in key Top 100 tables)

Chain	Chain Headquarters	Parent Company	Concept	1991 Rankings					
				System-wide Sales	System Sales Growth	Sales Per Unit	Growth, Sales Per Unit	Number of Units	% Growth, # of Units
Applebee's Neighborhood Grill & Bar	Kansas City, Mo.	Applebee's Neighborhood Grill & Bar	Dinner House	74	4	31	60	76	10
ARA Services/ARASERVE	Philadelphia, Pa.	ARA Services Inc.	Contract	11	57	77	72	14	44
Arby's	Atlanta, Ga.	DWG Corp.	Sandwich	16	70	85	98	15	46
Bakers Square	Chicago, Ill.	Vicorp Inc.	Family	78	14	32	20	77	21
Baskin-Robbins	Glendale, Calif.	Allied-Lyons PLC	Snack	39	23	96	18	17	43
Bennigan's	Dallas, Texas	S&A Restaurant Corp.	Dinner House	45	77	24	47	73	75
Big Boy	Warren, Mich.	Elias Bros. Restaurants Inc.	Family	19	49	44	42	29	61
Bob Evans Farms	Columbus, Ohio	Bob Evans Farms Inc.	Family	57	38	36	40	66	20
Bonanza	Dallas, Texas	Metromedia Co.	Steak	48	94	57	66	47	97
Burger King	Miami, Fla.	Grand Metropolitan PLC	Sandwich	2	79	47	49	5	42
Canteen Corp.	Spartanburg, S.C.	TW Holdings Inc.	Contract	18	100	67	100	21	67
Captain D's Seafood	Nashville, Tenn.	Shoney's Inc.	Seafood	50	61	73	77	38	60
Carl's Jr.	Anaheim, Calif.	Carl Karcher Enterprises Inc.	Sandwich	34	50	46	41	39	22
Chick-fil-A	Atlanta, Ga.	Chick-fil-A Inc.	Chicken	60	13	70	29	49	30
Chili's Grill & Bar	Dallas, Texas	Brinker International	Dinner House	36	9	23	48	64	9
Chi-Chi's	Louisville, Ky.	Foodmaker Inc.	Dinner House	44	54	21	95	70	28
Church's Fried Chicken	Jefferson, La.	Al Copeland Enterprises	Chicken	49	95	91	63	28	91
Circle K	Phoenix, Ariz.	Circle K Corp.	C-store	62	89	100	73	10	76
Concession Air	Buffalo, N.Y.	Delaware North Cos.	Contract	97	74	6	43	97	77
Cracker Barrel	Lebanon, Tenn.	Cracker Barrel Old Country Store Inc.	Family	72	2	14	36	91	3
Dairy Queen	Minneapolis, Minn.	American Dairy Queen Corp.	Sandwich	10	86	90	64	8	71
Del Taco	Costa Mesa, Calif.	Del Taco Inc.	Sandwich	81	51	78	2	52	69
Denny's	Irvine, Calif.	TW Holdings Inc.	Family	14	88	43	78	25	73
Disney theme parks and hotels	Burbank, Calif.	Walt Disney Co.	Theme park	33	44	1	23	100	78
Dobbs Houses	Memphis, Tenn.	The Dial Corp.	Contract	90	47	80	88	55	33
Dobbs International	Memphis, Tenn.	The Dial Corp.	Contract	66	43	5	34	96	79
Domino's Pizza	Ann Arbor, Mich.	Domino's Pizza Inc.	Pizza	8	62	86	75	6	40
Dunkin' Donuts	Randolph, Mass.	Allied-Lyons PLC	Snack	25	33	83	97	18	8
El Torito	Irvine, Calif.	Restaurant Enterprises Group Inc.	Dinner House	82	83	22	67	89	65
Friendly's Restaurants	Wilbraham, Mass.	Tennessee Restaurant Co.	Family	43	93	75	59	32	94
Furr's Cafeterias	Lubbock, Texas	Furr's/Bishop's Cafeterias L.P.	Cafeteria	94	92	29	92	87	80
Gardner Merchant Food Services	Trumbull, Conn.	Gardner Merchant Ltd.	Contract	92	3	92	5	41	13
Godfather's Pizza	Omaha, Neb.	Godfather's Pizza Inc.	Pizza	89	73	87	50	45	63
Golden Corral	Raleigh, N.C.	Investors Management Corp.	Steak	47	68	48	6	50	64
Ground Round	So. Weymouth, Mass.	Ground Round Restaurants Inc.	Dinner House	73	64	37	51	75	59
Hardee's	Rocky Mount, N.C.	Imasco Ltd.	Sandwich	4	40	51	14	9	31
Hilton Hotels	Beverly Hills, Calif.	Hilton Hotels Corp.	Hotel	23	27	8	25	67	47
Holiday Inns	Atlanta, Ga.	Bass PLC	Hotel	35	67	94	32	22	81
Host International	Washington, D.C.	Marriott Corp.	Contract	31	65	53	70	36	49
Hyatt Hotels	Chicago, Ill.	Hyatt Hotels Corp.	Hotel	51	37	9	33	92	93
International House of Pancakes	North Hollywood, Calif.	IHOP Corp.	Family	52	45	61	26	46	70
Jack in the Box	San Diego, Calif.	Foodmaker Inc.	Sandwich	24	31	50	55	27	32
K mart	Troy, Mich.	K mart Corp.	In-store	59	15	97	15	19	25
KFC	Louisville, Ky.	PepsiCo Inc.	Chicken	5	34	65	44	7	72
Krystal	Chattanooga, Tenn.	The Krystal Co.	Sandwich	99	56	59	28	71	66
Little Caesars Pizza	Detroit, Mich.	Little Caesar Enterprises Inc.	Pizza	12	5	89	17	11	11
Long John Silver's	Lexington, Ky.	Long John Silver's Holdings, Inc.	Fish	28	82	81	53	24	82
Luby's Cafeteria	San Antonio, Texas	Luby's Cafeterias Inc.	Cafeteria	61	39	18	93	86	16
Marie Callender's	Orange, Calif.	Wilshire Restaurant Group	Family	83	48	33	79	82	68
Marriott Hotels & Resorts	Bethesda, Md.	Marriott Corp.	Hotel	17	42	10	46	54	24
Marriott In-Flite	Potomac, Md.	Caterair International	Contract	32	97	3	13	95	90
Marriott Management Services	Washington, D.C.	Marriott Corp.	Contract	9	75	49	90	16	37
McDonald's	Oak Brook, Ill.	McDonald's Corp.	Sandwich	1	63	30	57	1	56
Morrison Custom Management	Mobile, Ala.	Morrison Inc.	Contract	37	36	68	12	31	89
Morrison's	Mobile, Ala.	Morrison Inc.	Cafeteria	63	46	26	24	81	92
Ogden Allied Entertainment Services	New York, N.Y.	Ogden Corp.	Contract	84	81	19	94	90	26
Olive Garden	Orlando, Fla.	General Mills Inc.	Dinner House	30	6	15	45	61	4
Perkins Family Restaurants	Memphis, Tenn.	Tennessee Restaurant Co.	Family	41	32	42	71	51	18
Piccadilly	Baton Rouge, La.	Piccadilly Cafeterias Inc.	Cafeteria	70	85	25	80	83	34
Pizza Hut	Wichita, Kan.	PepsiCo Inc.	Pizza	3	19	79	81	2	38
Ponderosa	Dayton, Ohio	Metromedia Co.	Steak	29	52	54	82	33	35
Popeye's Chicken	Jefferson, La.	Al Copeland Enterprises	Chicken	38	72	69	68	30	48
Quincy's	Spartanburg, S.C.	TW Holdings Inc.	Steak	75	78	39	83	74	50
Radisson Hotels	Minneapolis, Minn.	Carlson Cos.	Hotel	55	11	17	37	80	14
Rally's	Louisville, Ky.	Rally's Inc.	Sandwich	98	7	63	96	59	1
Ramada Inn	Fairfield, N.J.	Hospitality Franchise System	Hotel	56	12	72	65	40	6
Rax	Columbus, Ohio	Rax Restaurants Inc.	Sandwich	77	99	74	69	58	100
Red Lobster	Orlando, Fla.	General Mills Inc.	Dinner House	13	26	13	84	44	45
Restaura	Phoenix, Ariz.	The Dial Corp.	Contract	85	28	76	39	56	36
Round Table Pizza	San Francisco, Calif.	Round Table Franchise Corp.	Pizza	67	84	82	74	42	62
Ruby Tuesday	Mobile, Ala.	Morrison Inc.	Dinner House	95	30	27	21	84	5
Ryan's Family Steak House	Greer, S.C.	Ryan's Family Steak Houses Inc.	Steak	58	22	20	85	79	15
Sbarro, The Italian Eatery	Commack, N.Y.	Sbarro Inc.	Pizza	76	10	84	91	43	7
Seiler Corp.	Waltham, Mass.	Sodexho Corp.	Contract	53	69	52	35	57	83
Service America	Stamford, Conn.	Servam Inc.	Contract	22	91	66	3	23	99
ServiceMaster Food Mgmt. Servs.	Downers Grove, Ill.	ServiceMaster L.P.	Contract	80	17	56	16	65	27
7-Eleven	Dallas, Texas	Southland Corp.	C-store	26	90	99	76	3	74
Sheraton Hotels	Boston, Mass.	ITT Corp.	Hotel	20	29	7	27	62	51
Shoney's	Nashville, Tenn.	Shoney's Inc.	Family	21	16	35	62	34	29
Show Biz/Chuck E. Cheese's	Irving, Texas	Show Biz Pizza Time Inc.	Pizza	68	25	40	38	63	23
Six Flags amusement parks	Arlington, Texas	Six Flags Corp.	Theme park	96	24	58	10	69	84
Sizzler	Los Angeles, Calif.	Sizzler Restaurants International Inc.	Steak	27	71	34	86	37	54
Sky Chefs	Arlington, Texas	Onex Corp.	Contract	46	58	2	11	98	96
Sonic Drive-In	Oklahoma City, Okla.	Sonic Corp.	Sandwich	42	20	88	7	26	39
Sportservice	Buffalo, N.Y.	Delaware North Cos.	Contract	87	35	12	22	94	55
Steak and Ale	Dallas, Texas	S&A Restaurant Corp.	Dinner House	93	60	38	31	85	85
Stuart Anderson's Black Angus	Los Altos, Calif.	American Restaurant Group	Dinner House	91	59	16	58	93	57
Subway	Milford, Conn.	Doctor's Associates Inc.	Sandwich	15	1	95	1	4	2
Taco Bell	Irvine, Calif.	PepsiCo Inc.	Sandwich	7	18	60	4	13	19
TCBY	Little Rock, Ark.	TCBY Enterprises Inc.	Snack	65	98	98	99	20	95
The Wood Co.	Allentown, Penn.	The Albert Abela Corp.	Contract	88	8	64	9	60	17
Tony Roma's—A Place for Ribs	Dallas, Texas	Roma Corp.	Dinner House	100	41	28	87	88	41
T.G.I. Friday's	Dallas, Texas	Carlson Cos.	Dinner House	40	21	11	61	78	12
Village Inn	Denver, Colo.	Vicorp Inc.	Family	86	80	45	19	72	88
Waffle House	Norcross, Ga.	Waffle House Inc.	Family	79	87	93	56	35	86
Wendy's	Dublin, Ohio	Wendy's International Inc.	Sandwich	6	53	62	54	12	58
Western Sizzlin'	Dallas, Texas	Intermark/Triton Group	Steak	54	96	55	52	53	98
Westin Hotels	Seattle, Wash.	Aoki Corp.	Hotel	71	55	4	30	99	53
Whataburger	Corpus Christi, Texas	Whataburger Inc.	Sandwich	64	76	71	89	48	87
White Castle	Columbus, Ohio	White Castle System Inc.	Sandwich	69	66	41	8	68	52

*Projected

Source: NRN Research

NRN TOP 100

TOP 100 CHAINS RANKED BY U.S. SYSTEMWIDE SALES GROWTH

(year-to-year percentage change)

1991 Rank	1990 Rank	Chain	Fiscal Year Ends	Percentage Change	
				'91 vs. '90	'90 vs. '89
1	3	Subway	Dec. '91	33.28%	37.18%
2	6	Cracker Barrel	Aug. '91	30.82	33.04
3	2	Gardner Merchant Food Services	Jan. '92	29.21	43.55
4	1	Applebee's Neighborhood Grill & Bar	Dec. '91	26.77	54.50
5	12	Little Caesars Pizza	Dec. '91	23.64	21.68
6	4	Olive Garden	May '92	23.49	36.22
7	5	Rally's	Dec. '91	21.67	33.63
8	23	The Wood Co.	Dec. '91	19.52	14.82
99	13	Chili's Grill & Bar	June '92	18.13	19.76
10	8	Sbarro, The Italian Eatery	Dec. '91	15.40	26.90
11	9	Radisson Hotels	Dec. '91	14.29	25.90
12	77	Ramada Inn	Dec. '91	13.97	2.10
13	31	Chick-fil-A	Dec. '91	13.72	11.33
14	22	Bakers Square	Oct. '91	13.25	14.85
15	69	K mart	Jan. '92	13.15	3.48
16	21	Shoney's	Oct. '91	12.98	14.95
17	63	ServiceMaster Food Mgmt. Servs.	Dec. '91	12.97	4.82
18	19	Taco Bell	Dec. '91	12.96	15.32
19	10	Pizza Hut	Dec. '91	12.50	25.00
20	15	Sonic Drive-In	Nov. '91	11.57	16.51
21	25	T.G.I. Friday's	Dec. '91	11.46	12.30
22	16	Ryan's Family Steak House	Dec. '91	10.79	16.27
23	98	Baskin-Robbins	Feb. '92	10.64	− 7.27
24	74	Six Flags amusement parks	Dec. '91	9.92	2.44
25	47	Show Biz/Chuck E. Cheese's	Dec. '91	9.34	7.00
26	65	Red Lobster	May '92	8.57	4.48
27	26	Hilton Hotels	Dec. '91	8.50	11.83
28	99	Restaura	Dec. '91	8.26	− 9.09
29	18	Sheraton Hotels	Dec. '91	8.22	15.75
30	34	Ruby Tuesday	May '92	8.17	10.05
31	24	Jack in the Box	Sept. '91	8.14	13.09
32	30	Perkins Family Restaurants	Dec. '91	8.00	11.35
33	7	Dunkin' Donuts	Feb. '92	7.95	28.19
34	50	KFC	Dec. '91	7.81	6.67
35	44	Sportservice	Dec. '91	7.68	8.47
36	81	Morrison Custom Management	May '92	7.02	1.88
37	41	Hyatt Hotels	Jan. '92	6.78	8.96
38	32	Bob Evans Farms	Apr. '92	6.23	11.14
39	38	Luby's Cafeteria	Aug. '91	6.11	9.78
40	11	Hardee's	Dec. '91	5.97	21.98
41	37	Tony Roma's—A Place for Ribs	Feb. '92	5.90	9.81
42	35	Marriott Hotels & Resorts	Dec. '91	5.76	9.95
43	42	Dobbs International	Dec. '91	5.48	8.66
44	17	Disney theme parks and hotels	Sept. '91	5.31	16.00
45	45	International House of Pancakes	Dec. '91	5.01	7.99
46	85	Morrison's	May '92	5.01	− 0.32
47	27	Dobbs Houses	Dec. '91	5.00	11.68
48	39	Marie Callender's	Dec. '91	4.99	9.51
49	56	Big Boy	Dec. '91	4.93	5.62
50	64	Carl's Jr.	Jan. '92	4.82	4.57
51	70	Del Taco	Dec. '91	4.78	3.20
52	54	Ponderosa	Feb. '92	4.73	6.06
53	88	Wendy's	Dec. '91	4.67	− 1.11
54	52	Chi-Chi's	Sept. '91	4.64	6.55
55	78	Westin Hotels	Dec. '91	4.60	2.03
56	66	Krystal	Dec. '91	4.48	4.15
57	51	ARA Services/ARASERVE	Sept. '91	4.26	6.58
58	28	Sky Chefs	Dec. '91	4.09	11.68
59	73	Stuart Anderson's Black Angus	Dec. '91	4.07	2.50
60	93	Steak and Ale	June '92	4.01	− 2.52
61	59	Captain D's Seafood	Oct. '91	3.99	5.35
62	57	Domino's Pizza	Dec. '91	3.98	5.61
63	79	McDonald's	Dec. '91	3.95	1.99
64	53	Ground Round	Dec. '91	3.92	6.07
65	61	Host International	Dec. '91	3.89	5.25
66	60	White Castle	Dec. '91	3.70	5.32
67	62	Holiday Inns	Dec. '91	3.69	4.84
68	96	Golden Corral	Dec. '91	3.67	− 5.64
69	29	Seiler Corp.	Aug. '91	3.46	11.43
70	49	Arby's	Dec. '91	3.46	6.73
71	68	Sizzler	Apr. '92	3.11	3.72
72	80	Popeye's Chicken	Oct. '91	3.08	1.96
73	94	Godfather's Pizza	May '92	3.06	− 2.97
74	43	Concession Air	Dec. '91	3.02	8.55
75	33	Marriott Management Services	Dec. '91	2.99	10.38
76	71	Whataburger	Dec. '91	2.84	3.17
77	92	Bennigan's	June '92	2.81	− 2.51
78	48	Quincy's	Dec. '91	2.66	6.91
79	46	Burger King	Sept. '91	2.46	7.00
80	72	Village Inn	Oct. '91	2.29	2.51
81	40	Ogden Allied Entertainment Services	Dec. '91	2.25	9.15
82	75	Long John Silver's	June '92	2.19	2.24
83	55	El Torito	Dec. '91	2.01	5.64
84	58	Round Table Pizza	June '92	1.93	5.42
85	91	Piccadilly	June '92	1.67	− 2.28
86	76	Dairy Queen	Nov. '91	1.55	2.17
87	82	Waffle House	June '92	1.28	1.29
88	36	Denny's	Dec. '91	0.39	9.90
89	84	Circle K	Oct. '92	0.24	0.65
90	83	7-Eleven	Dec. '91	0.00	1.00
91	67	Service America	Mar. '92	0.00	3.77
92	86	Furr's Cafeterias	Dec. '91	− 2.17	− 0.56
93	97	Friendly's Restaurants	Dec. '91	− 4.13	− 5.96
94	89	Bonanza	Feb. '92	− 4.35	− 1.59
95	87	Church's Fried Chicken	Oct. '91	− 4.77	− 1.07
96	100	Western Sizzlin'	Dec. '91	− 4.80	−10.44
97	20	Marriott In-Flite	Dec. '91	− 4.99	15.08
98	14	TCBY	Nov. '91	− 7.64	16.55
99	95	Rax	July '91	− 9.77	− 4.57
100	90	Canteen Corp.	Dec. '91	−10.95	− 2.14

*Projected
Source: NRN Research

TOP 100 COMPANIES RANKED BY GROWTH IN U.S. FOODSERVICE REVENUE

(Year-to-Year Percentage Change)

1991 Rank	1990 Rank	Chain	Fiscal Year Ends	Percentage Change	
				'91 vs. '90	'90 vs. '89
1	3	Kyotaru Co. Ltd.	Dec. '91	158.16	433.45
2	8	Buffets Inc.	Jan. '92	45.75	26.02
3	6	Cracker Barrel Old Country Store Inc.	Aug. '91	30.82	33.04
4	50	Gardner Merchant Ltd.	Jan. '92	28.86	7.42
5	58	Doctor's Associates Inc.	Dec. '91	24.47	5.62
6	12	Brinker International	June '92	22.07	22.77
7	11	Little Caesars Enterprises Inc.	Dec. '91	21.63	23.92
8	20	The Albert Abela Corp.	Dec. '91	19.52	14.82
9	47	Club Corp. of America Inc.	Dec. '91	16.67	7.91
10	25	Ryan's Family Steak Houses Inc.	Dec. '91	15.61	12.92
11	15	PepsiCo Inc.	Dec. '91	15.52	18.38
12	7	Sbarro Inc.	Dec. '91	14.74	29.25
13	22	Unigate Restaurants	Apr. '92	14.04	14.51
14	29	Chick-fil-A Inc.	Dec. '91	13.72	11.33
15	5	National Pizza Co.	Mar. '92	13.60	44.20
16	43	ShowBiz Pizza Time Inc.	Dec. '91	13.30	8.43
17	26	General Mills Inc.	May '92	13.28	12.29
18	68	K mart Corp.	Jan. '91	13.15	3.48
19	61	ServiceMaster L.P.	Dec. '91	12.55	4.82
20	60	JB's Restaurants Inc.	Sept. '91	11.50	4.94
21	32	Pizza Management Inc.	June '92	11.37	10.12
22	23	Carlson Cos.	Dec. '91	11.00	14.51
23	74	Six Flags Corp.	Dec. '91	9.92	2.44
24	28	Lyon's Restaurants Inc.	June '92	9.84	11.93
25	49	Ogden Corp.	Dec. '91	9.80	7.54
26	40	ITT Corp.	Dec. '91	9.46	8.88
27	10	Imasco Ltd.	Dec. '91	9.26	24.98
28	21	Grand Metropolitan PLC	Sept. '91	9.24	14.68
29	34	Vicorp Restaurants Inc.	Oct. '91	8.52	9.80
30	36	Hilton Hotels Corp.	Dec. '91	8.49	9.52
31	2	Allied-Lyons PLC	Feb. '92	8.03	515.10
32	41	Morrison Inc.	May '92	7.98	8.60
33	100	Investors Management Corp.	Dec. '91	7.84	− 18.38
34	51	Chart House Enterprises Inc.	Dec. '91	7.40	7.38
35	37	Foodmaker Inc.	Sept. '91	7.24	9.17
36	9	McDonald's Corp.	Dec. '91	7.08	25.59
37	39	Hyatt Hotels Corp.	Jan. '92	6.78	8.96
38	52	Consolidated Products Inc.	Sept. '91	6.29	6.81
39	71	Dial Corp.	Dec. '91	6.18	3.26
40	24	Onex Corp.	Dec. '91	6.16	12.95
41	35	Luby's Cafeterias Inc.	Aug. '91	6.11	9.78
42	30	Bob Evans Farms Inc.	April '92	6.09	11.14
43	17	Harman Management Corp.	June '92	5.94	15.72
44	42	Delaware North Cos.	Dec. '91	5.43	8.59
45	16	Walt Disney Co.	Sept. '91	5.31	16.00
46	62	TPI Enterprises	Dec. '91	5.26	4.46
47	33	Sizzler International Inc.	April '92	5.19	9.91
48	14	RTM Inc.	May '92	5.15	21.35
49	76	Aoki Corp.	Dec. '91	5.06	2.35
50	45	Mrs. Fields Inc.	Dec. '91	5.00	8.33
51	72	Daka International	June '92	4.88	2.77
52	95	Wendy's International Inc.	Dec. '91	4.87	− 5.44
53	85	Carl Karcher Enterprises	Jan. '92	4.85	0.42
54	75	Elias Bros. Restaurants Inc.	Dec. '91	4.69	2.40
55	64	Krystal Shares Inc.	Dec. '91	4.48	4.15
56	54	ARA Services Inc.	Sept. '91	4.26	6.58
57	48	W.H. Braum Inc.	Dec. '90	4.15	7.62
58	73	Carrols Corp.	Dec. '91	4.08	2.75
59	1	Ground Round Restaurants Inc.	Dec. '91	3.94	978.00
60	27	IHOP Corp.	Dec. '91	3.91	11.97
61	59	White Castle System Inc.	Dec. '91	3.70	5.32
62	91	S&A Restaurant Corp.	June '92	3.20	− 2.51
63	46	Sodexho	Aug. '91	2.94	8.26
64	89	Whataburger Inc.	Sept. '91	2.73	− 1.12
65	77	American Restaurant Group Inc.	Dec. '91	2.70	2.11
66	57	TW Holdings Inc.	Dec. '91	2.70	5.71
67	94	Specialty Restaurants Corp.	July '92	2.50	− 5.00
68	67	Del Taco Inc.	Dec. '91	2.07	3.57
69	79	Long John Silver's Holdings Inc.	June '92	1.99	1.41
70	66	Restaurant Enterprises Group Inc.	Dec. '91	1.88	3.68
71	90	Piccadilly Cafeterias Inc.	June '92	1.67	− 2.28
72	70	Boddie-Noell Enterprises Inc.	Sept. '91	1.59	3.28
73	78	Woolworth Corp.	Jan. '91	1.45	1.65
74	31	Sybra Inc.	Dec. '91	1.35	10.68
75	4	Shato Holdings Ltd.	Mar. '92	1.23	175.73
76	82	Brown Derby Inc.	May '91	0.87	0.81
77	83	Wilshire Restaurant Group	Dec. '91	0.09	0.77
78	81	Metromedia Steakhouses, Inc.	Feb. '92	0.07	0.90
79	53	Shoney's Inc.	Oct. '91	0.01	6.61
80	87	Frisch's Restaurants Inc.	June '92	0.00	− 0.54
81	63	Riese Organization	April '92	0.00	4.17
82	65	Servam Inc.	Mar. '92	0.00	3.77
83	80	Southland Corp.	Dec. '91	0.00	1.21
84	86	The Circle K Corp.	April '92	0.00	0.37
85	44	Waffle House Inc.	June '92	0.00	8.33
86	96	Domino's Pizza Inc.	Dec. '91	− 0.24	− 7.78
87	56	Gilbert/Robinson Inc.	Dec. '91	− 0.43	5.85
88	97	Harry M. Stevens Inc.	Dec. '91	− 1.19	− 7.89
89	84	Nestle S.A.	Dec. '91	− 1.75	0.49
90	13	RPM Pizza Inc.	Dec. '91	− 2.34	21.90
91	93	Tennessee Restaurant Co.	Dec. '91	− 2.51	− 4.24
92	69	Papa Gino's of America Inc.	Sept. '91	− 2.53	3.28
93	55	Wyatt Cafeterias Inc.	Dec. '91	− 2.72	6.18
94	98	Marriott Corp.	Dec. '91	− 3.89	− 9.50
95	88	Furr's/Bishop's Cafeterias L.P.	Dec. '91	− 4.56	− 0.91
96	19	Caterair International	Dec. '91	− 4.99	15.08
97	92	Promus Cos.	Dec. '91	− 9.32	− 4.02
98	38	Al Copeland Enterprises	Dec. '91	− 12.37	8.99
99	18	DWG Corp.	Dec. '91	− 18.87	15.22
100	99	Greenleaf Ventures Inc.	Oct. '91	− 43.73	− 15.28

*Projected
Source: NRN Research

TOP 100 CHAINS RANKED BY SALES PER UNIT

(same store sales averages exclude new and closed outlets and may not add to systemwide totals)

1991 Rank	1990 Rank	Chain	Fiscal Year Ends	Sales Per Unit (By Fiscal Year, In Thousands)		
				Current*	Last Full	Prior
1	1	Disney theme parks and hotels	Sept. '91	$151,390.0	$143,770.0	$144,000.0
2	2	Sky Chefs	Dec. '91	12,380.0	11,320.0	11,100.0
3	4	Marriott In-Flite	Dec. '91	9,100.0	8,400.0	8,400.0
4	3	Westin Hotels	Dec. '91	9,100.0	8,740.0	8,400.0
5	5	Dobbs International	Dec. '91	6,100.0	5,880.0	6,020.0
6	6	Concession Air	Dec. '91	4,647.0	4,510.0	4,340.0
7	7	Sheraton Hotels	Dec. '91	4,029.0	3,842.0	3,423.0
8	8	Hilton Hotels	Dec. '91	3,873.0	3,689.0	3,530.0
9	9	Hyatt Hotels	Jan. '92	3,812.0	3,673.0	3,504.0
10	10	Marriott Hotels & Resorts	Dec. '91	3,631.0	3,526.0	3,351.0
11	11	T.G.I. Friday's	Dec. '91	3,500.0	3,450.0	3,300.0
12	12	Sportservice	Dec. '91	3,170.0	3,010.0	3,030.0
13	13	Red Lobster	May '92	3,000.0	3,000.0	2,990.0
14	14	Cracker Barrel	Aug. '91	2,920.0	2,820.0	2,520.0
15	15	Olive Garden	May '92	2,884.0	2,800.0	2,700.0
16	16	Stuart Anderson's Black Angus	Dec. '91	2,679.0	2,635.0	2,571.0
17	21	Radisson Hotels	Dec. '91	2,350.0	2,270.0	2,000.0
18	18	Luby's Cafeteria	Aug. '91	2,300.0	2,400.0	2,400.0
19	19	Ogden Allied Ent. Servs.	Dec. '91	2,300.0	2,400.0	2,800.0
20	20	Ryan's Family Steak House	Dec. '91	2,300.0	2,300.0	2,270.0
21	17	Chi-Chi's	Sept. '91	2,270.0	2,400.0	2,517.0
22	22	El Torito	Dec. '91	2,269.0	2,246.0	2,178.0
23	23	Chili's Grill & Bar	June '92	2,260.0	2,200.0	2,120.0
24	24	Bennigan's	June '92	2,117.0	2,059.3	2,112.1
25	25	Piccadilly	June '92	2,000.0	2,000.0	2,000.0
26	27	Morrison's	May '92	1,912.0	1,820.0	1,795.0
27	28	Ruby Tuesday	May '92	1,900.0	1,800.0	1,700.0
28	29	Tony Roma's - A Place for Ribs	Feb. '92	1,800.0	1,800.0	1,700.0
29	26	Furr's Cafeterias	Dec. '91	1,770.0	1,840.0	1,850.0
30	31	McDonald's	Dec. '91	1,684.0	1,656.0	1,621.0
31	30	Applebee's Neighborhood Grill	Dec. '91	1,681.0	1,656.0	1,550.0
32	34	Bakers Square	Oct. '91	1,650.0	1,555.0	1,424.0
33	32	Marie Callender's	Dec. '91	1,650.0	1,650.0	1,650.0
34	33	Sizzler	Apr. '92	1,600.0	1,600.0	1,600.0
35	35	Shoney's	Oct. '91	1,560.0	1,538.0	1,451.0
36	37	Bob Evans Farms	Apr. '92	1,500.0	1,450.0	1,400.0
37	36	Ground Round	Dec. '91	1,500.0	1,465.0	1,400.0
38	38	Steak and Ale	June '92	1,427.2	1,372.3	1,407.5
39	39	Quincy's	Dec. '91	1,300.0	1,300.0	1,200.0
40	40	Show Biz/Chuck E. Cheese's	Dec. '91	1,296.0	1,252.0	1,199.0
41	43	White Castle	Dec. '91	1,283.0	1,166.0	1,111.0
42	41	Perkins Family Restaurants	Dec. '91	1,253.0	1,247.0	1,237.0
43	42	Denny's	Dec. '91	1,200.0	1,200.0	1,100.0
44	44	Big Boy	Dec. '91	1,185.0	1,150.0	1,125.0
45	46	Village Inn	Oct. '91	1,160.0	1,093.0	1,054.0
46	45	Carl's Jr.	Jan. '92	1,150.0	1,116.0	1,051.0
47	47	Burger King	Sept. '91	1,112.0	1,082.8	1,063.2
48	55	Golden Corral	Dec. '91	1,052.0	947.0	943.0
49	48	Marriott Mgmt. Servs.	Dec. '91	1,046.0	1,063.0	1,057.3
50	49	Jack in the Box	Sept. '91	1,040.0	1,020.0	931.0
51	53	Hardee's	Dec. '91	1,032.0	956.0	923.0
52	52	Seller Corp.	Aug. '91	1,010.0	975.0	886.0
53	51	Host International	Dec. '91	997.0	992.0	1,020.0
54	50	Ponderosa	Feb. '92	995.0	995.0	986.1
55	54	Western Sizzlin'	Dec. '91	970.0	950.0	918.5
56	57	ServiceMaster Food Mgmt. Servs.	Dec. '91	964.3	902.0	890.6
57	56	Bonanza	Feb. '92	950.0	940.0	940.0
58	61	Six Flags amusement parks	Dec. '91	904.8	823.4	803.5
59	58	Krystal	Dec. '91	898.0	860.0	830.0
60	64	Taco Bell	Dec. '91	886.0	771.0	686.0
61	63	International House of Pancakes	Dec. '91	840.0	801.0	754.0
62	62	Wendy's	Dec. '91	827.0	811.0	789.0
63	59	Rally's	Dec. '91	800.0	852.0	922.0
64	68	The Wood Co.	Dec. '91	752.4	684.5	608.0
65	65	KFC	Dec. '91	750.9	729.0	689.0
66	76	Service America	Mar. '92	733.0	632.0	624.0
67	60	Canteen Corp.	Dec. '91	730.0	835.0	857.0
68	72	Morrison Custom Mgmt.	May '92	722.6	665.7	641.3
69	66	Popeye's Chicken	Oct. '91	720.0	714.7	710.0
70	70	Chick-fil-A	Dec. '91	710.0	681.0	661.0
71	67	Whataburger	Dec. '91	698.2	700.2	668.1
72	69	Ramada Inn	Dec. '91	690.6	682.7	660.8
73	71	Captain D's Seafood	Oct. '91	667.0	667.0	660.0
74	73	Rax	July '91	662.0	658.0	640.0
75	75	Friendly's Restaurants	Dec. '91	650.0	640.0	665.0
76	77	Restaura, Inc.	Dec. '91	650.0	628.3	644.6
77	74	ARA Services/ARASERVE	Sept. '91	649.0	646.5	618.4
78	85	Del Taco	Dec. '91	622.0	520.0	515.0
79	78	Pizza Hut	Dec. '91	600.0	600.0	600.0
80	81	Dobbs Houses	Dec. '91	577.5	579.0	542.7
81	84	Long John Silver's	June '92	556.4	545.5	539.1
82	82	Round Table Pizza	June '92	556.0	555.0	545.0
83	79	Dunkin' Donuts	Feb. '92	536.3	596.7	503.4
84	83	Sbarro, The Italian Eatery	Dec. '91	536.0	547.0	513.0
85	80	Arby's	Dec. '91	535.0	596.0	578.0
86	86	Domino's Pizza	Dec. '91	505.7	505.6	499.2
87	87	Godfather's Pizza	May '92	505.0	493.0	464.0
88	88	Sonic Drive-In	Nov. '91	493.0	446.0	395.0
89	89	Little Caesars Pizza	Dec. '91	470.0	440.0	437.0
90	90	Dairy Queen	Nov. '91	435.0	430.0	421.7
91	91	Church's Fried Chicken	Oct. '91	425.0	420.0	415.0
92	94	Gardner Merchant Food Servs.	Jan. '92	400.0	350.0	300.0
93	92	Waffle House	June '92	398.6	391.4	394.9
94	93	Holiday Inns	Dec. '91	377.6	363.7	346.4
95	96	Subway	Dec. '91	260.0	215.7	198.0
96	95	Baskin-Robbins	Feb. '92	236.0	222.0	222.0
97	98	K mart	Jan. '92	194.7	181.7	180.6
98	97	TCBY	Nov. '91	177.0	199.0	232.0
99	99	7-Eleven	Dec. '91	157.0	157.0	139.0
100	100	Circle K	Oct. '92	85.0	84.8	70.2

*Projected
Source: NRN Research

TOP 100 CHAINS RANKED BY GROWTH IN SALES PER UNIT

(year-to-year percentage change)

1991 Rank	1990 Rank	Chain	Fiscal Year Ends	'91 vs. '90*	'90 vs. '89
1	15	Subway	Dec. '91	20.54%	8.94%
2	69	Del Taco	Dec. '91	19.62	0.97
3	64	Service America	Mar. '92	15.98	1.28
4	8	Taco Bell	Dec. '91	14.92	12.39
5	3	Gardner Merchant Food Services	Jan. '92	14.29	16.67
6	76	Golden Corral	Dec. '91	11.09	0.42
7	6	Sonic Drive – in	Nov. '91	10.54	12.91
8	29	White Castle	Dec. '91	10.03	4.95
9	7	The Wood Co.	Dec. '91	9.92	12.58
10	54	Six Flags amusement parks	Dec. '91	9.89	2.48
11	57	Sky Chefs	Dec. '91	9.36	1.98
12	39	Morrison Custom Management	May '92	8.55	3.80
13	82	Marriott In-Flite	Dec. '91	8.33	0.00
14	44	Hardee's	Dec. '91	7.95	3.58
15	74	Kmart	Jan. '92	7.15	0.61
16	65	ServiceMaster Food Management Servs.	Dec. '91	6.91	1.28
17	72	Little Caesars Pizza	Dec. '91	6.82	0.69
18	78	Baskin – Robbins	Feb. '92	6.31	0.00
19	42	Village Inn	Oct. '91	6.13	3.70
20	13	Bakers Square	Oct. '91	6.11	9.20
21	24	Ruby Tuesday	May '92	5.56	5.88
22	88	Sportservice	Dec. '91	5.32	– 0.66
23	86	Disney theme parks and hotels	Sept. '91	5.30	– 0.16
24	61	Morrison's	May '92	5.05	1.39
25	35	Hilton Hotels	Dec. '91	4.99	4.50
26	21	International House of Pancakes	Dec. '91	4.87	6.23
27	9	Sheraton Hotels	Dec. '91	4.87	12.24
28	43	Krystal	Dec. '91	4.42	3.61
29	50	Chick-fil-A	Dec. '91	4.26	3.03
30	37	Westin Hotels	Dec. '91	4.12	4.05
31	92	Steak and Ale	June '92	4.00	– 2.50
32	28	Holiday Inns	Dec. '91	3.82	4.99
33	30	Hyatt Hotels	Jan. '92	3.78	4.82
34	90	Dobbs International	Dec. '91	3.74	– 2.33
35	11	Seiler Corp.	Aug. '91	3.59	10.05
36	10	Cracker Barrel	Aug. '91	3.55	11.90
37	4	Radisson Hotels	Dec. '91	3.52	13.50
38	36	Show Biz/Chuck E. Cheese's	Dec. '91	3.51	4.42
39	93	Restaura	Dec. '91	3.45	– 2.53
40	45	Bob Evans Farms	Apr. '92	3.45	3.57
41	22	Carl's Jr.	Jan. '92	3.05	6.18
42	55	Big Boy	Dec. '91	3.04	2.22
43	38	Concession Air	Dec. '91	3.04	3.92
44	26	KFC	Dec. '91	3.00	5.81
45	41	Olive Garden	May '92	3.00	3.70
46	27	Marriott Hotels & Resorts	Dec. '91	2.98	5.22
47	91	Bennigan's	June '92	2.80	– 2.50
48	40	Chili's Grill & Bar	June '92	2.73	3.77
49	59	Burger King	Sept. '91	2.70	1.84
50	20	Godfather's Pizza	May '92	2.43	6.25
51	32	Ground Round	Dec. '91	2.39	4.64
52	46	Western Sizzlin'	Dec. '91	2.11	3.43
53	67	Long John Silver's	June '92	2.00	1.19
54	52	Wendy's	Dec. '91	1.97	2.79
55	12	Jack in the Box	Sept. '91	1.96	9.56
56	89	Waffle House	June '92	1.84	– 0.89
57	56	McDonald's	Dec. '91	1.69	2.16
58	53	Stuart Anderson's Black Angus	Dec. '91	1.67	2.49
59	96	Friendly's Restaurants	Dec. '91	1.56	– 3.76
60	17	Applebee's Neighborhood Grill & Bar	Dec. '91	1.51	6.84
61	33	T.G.I. Friday's	Dec. '91	1.45	4.55
62	23	Shoney's	Oct. '91	1.43	6.00
63	66	Church's Fried Chicken	Oct. '91	1.19	1.20
64	58	Dairy Queen	Nov. '91	1.16	1.97
65	47	Ramada Inn	Dec. '91	1.16	3.31
66	79	Bonanza	Feb. '92	1.06	0.00
67	48	El Torito	Dec. '91	1.02	3.12
68	73	Popeye's Chicken	Oct. '91	0.74	0.66
69	51	Rax	July '91	0.61	2.81
70	95	Host International	Dec. '91	0.50	– 2.75
71	71	Perkins Family Restaurants	Dec. '91	0.48	0.81
72	34	ARA Services/ARASERVE	Sept. '91	0.39	4.54
73	1	Circle K	Oct. '92	0.24	20.80
74	60	Round Table Pizza	June '92	0.18	1.83
75	63	Domino's Pizza	Dec. '91	0.02	1.28
76	5	7-Eleven	Dec. '91	0.00	12.95
77	68	Captain D's Seafood	Oct. '91	0.00	1.06
78	14	Denny's	Dec. '91	0.00	9.09
79	81	Marie Callender's	Dec. '91	0.00	0.00
80	83	Piccadilly	June '92	0.00	0.00
81	84	Pizza Hut	Dec. '91	0.00	0.00
82	70	Ponderosa	Feb. '92	0.00	0.90
83	16	Quincy's	Dec. '91	0.00	8.33
84	77	Red Lobster	May '92	0.00	0.33
85	62	Ryan's Family Steak House	Dec. '91	0.00	1.32
86	85	Sizzler	Apr. '92	0.00	0.00
87	25	Tony Roma's — A Place for Ribs	Feb. '92	0.00	5.88
88	18	Dobbs Houses	Dec. '91	– 0.26	6.69
89	31	Whataburger	Dec. '91	– 0.29	4.80
90	75	Marriott Management Services	Dec. '91	– 1.60	0.54
91	19	Sbarro, The Italian Eatery	Dec. '91	– 2.01	6.63
92	87	Furr's Cafeterias	Dec. '91	– 3.80	– 0.54
93	80	Luby's Cafeteria	Aug. '91	– 4.17	0.00
94	100	Ogden Allied Entertainment Services	Dec. '91	– 4.17	–14.29
95	97	Chi-Chi's	Sept. '91	– 5.42	– 4.65
96	98	Rally's	Dec. '91	– 6.10	– 7.59
97	2	Dunkin' Donuts	Feb. '92	–10.12	18.53
98	49	Arby's	Dec. '91	–10.23	3.11
99	99	TCBY	Nov. '91	–11.06	–14.22
100	94	Canteen Corp.	Dec. '91	–12.57	– 2.57

*Projected
Source: NRN Research

TOP 100 CHAINS RANKED BY CURRENT-YEAR TOTAL NUMBER OF U.S. UNITS

1991 Rank	1990 Rank	Chain	Fiscal Year Ends	Current (Year-End Projection) Total	(Company	- Franchise)	Last Full Year Total	(Company	- Franchise)	Prior Year Total	(Company	- Franchise)
1	1	McDonald's	Dec. '91	8,692	1,559	7,133	8,472	1,632	6,796	8,270	1,751	6,519
2	2	Pizza Hut	Dec. '91	6,800	3,400	3,400	6,500	3,300	3,200	6,200	3,100	3,100
3	3	7-Eleven	Dec. '91	5,943	2,885	3,058	5,943	2,885	3,058	6,632	3,519	3,113
4	7	Subway	Dec. '91	5,752	5	5,747	4,707	10	4,697	3,915	20	3,895
5	4	Burger King	Sept. '91	5,655	926	4,729	5,427	875	4,552	5,358	796	4,562
6	6	Domino's Pizza	Dec. '91	5,219	1,222	3,997	5,003	1,168	3,835	4,831	1,347	3,484
7	5	KFC	Dec. '91	5,010	1,785	3,225	5,006	1,389	3,617	4,937	1,340	3,597
8	8	Dairy Queen	Nov. '91	4,630	5	4,625	4,622	5	4,617	4,627	5	4,622
9	9	Hardee's	Dec. '91	4,240	1,205	3,035	4,022	1,105	2,917	3,291	1,086	2,205
10	10	Circle K	Oct. '92	3,859	3,796	63	3,859	3,796	63	4,631	4,568	63
11	13	Little Caesars Pizza	Dec. '91	3,600	2,750	850	3,173	2,378	795	2,700	1,996	704
12	11	Wendy's	Dec. '91	3,595	1,086	2,509	3,520	1,061	2,459	3,490	1,031	2,459
13	12	Taco Bell	Dec. '91	3,485	1,961	1,524	3,227	1,851	1,376	3,082	1,757	1,325
14	14	ARA Services/ARASERVE	Sept. '91	2,700	2,700	0	2,600	2,600	0	2,550	2,550	0
15	15	Arby's	Dec. '91	2,382	262	2,120	2,301	249	2,052	2,139	214	1,925
16	16	Marriott Management Services	Dec. '91	2,303	2,303	0	2,200	2,200	0	2,005	2,005	0
17	17	[illegible]kin-Robbins	Feb. '92	2,265	28	2,237	2,176	59	2,117	2,369	55	2,314
18	21	Dunkin' Donuts	Feb. '92	2,014	2	2,012	1,729	2	1,727	1,519	8	1,511
19	19	K mart	Jan. '92	1,910	1,910	0	1,800	1,800	0	1,730	1,730	0
20	18	TCBY	Nov. '91	1,800	180	1,620	1,847	170	1,677	1,582	149	1,433
21	22	Canteen Corp.	Dec. '91	1,653	1,653	0	1,641	1,641	0	1,634	1,634	0
22	23	Holiday Inns	Dec. '91	1,578	177	1,401	1,578	177	1,401	1,582	176	1,406
23	20	Service America	Mar. '92	1,500	1,500	0	1,740	1,740	0	1,700	1,700	0
24	24	Long John Silver's	June '92	1,452	997	455	1,452	997	455	1,434	980	454
25	25	Denny's	Dec. '91	1,295	991	304	1,294	992	302	1,274	1,001	273
26	27	Sonic Drive-In	Nov. '91	1103	75	1028	1057	70	987	1012	65	947
27	28	Jack In the Box	Sept. '91	1,091	694	397	1,035	650	385	986	605	381
28	26	Church's Fried Chicken	Oct. '91	1,042	684	358	1,059	694	365	1,111	707	404
29	29	Big Boy	Dec. '91	963	143	820	946	140	806	915	136	779
30	32	Popeye's Chicken	Oct. '91	805	130	675	778	129	649	739	113	626
31	30	Morrison Custom Management	May '92	801	801	0	812	812	0	828	828	0
32	31	Friendly's Restaurants	Dec. '91	775	775	0	795	795	0	824	824	0
33	33	Ponderosa	Feb. '92	775	400	375	740	400	340	704	397	307
34	34	Shoney's	Oct. '91	760	305	455	720	293	427	680	280	400
35	35	Waffle House	June '92	700	315	385	700	315	385	665	315	370
36	36	Host International	Dec. '91	669	669	0	647	647	0	600	600	0
37	37	Sizzler	Apr. '92	648	248	400	631	238	393	628	209	419
38	38	Captain D's Seafood	Oct. '91	640	360	280	628	357	271	607	348	259
39	39	Carl's Jr.	Jan. '92	613	444	169	573	424	149	540	454	86
40	42	Ramada Inn	Dec. '91	600	0	600	508	0	508	498	0	498
41	41	Gardner Merchant Food Services	Jan. '92	575	575	0	510	510	0	415	415	0
42	40	Round Table Pizza	June '92	570	0	570	560	0	560	550	0	550
43	48	Sbarro, The Italian Eatery	Dec. '91	537	408	129	457	348	109	384	291	93
44	45	Red Lobster	May '92	520	520	0	502	502	0	460	460	0
45	43	Godfather's Pizza	May '92	512	163	349	506	165	341	519	173	346
46	46	International House of Pancakes	Dec. '91	491	65	426	490	61	429	480	56	424
47	44	Bonanza	Feb. '92	475	2	473	502	2	500	510	2	508
48	47	Whataburger	Dec. '91	475	296	179	475	296	179	438	274	164
49	52	Chick-fil-A	Dec. '91	465	465	0	441	441	0	411	411	0
50	50	Golden Corral	Dec. '91	450	385	65	445	397	48	501	490	11
51	55	Perkins Family Restaurants	Dec. '91	432	118	314	399	113	286	371	114	257
52	53	Del Taco	Dec. '91	424	300	124	423	299	124	424	300	124
53	51	Western Sizzlin'	Dec. '91	415	5	410	445	5	440	514	0	514
54	58	Marriott Hotels & Resorts	Dec. '91	404	349	55	380	325	55	330	277	53
55	57	Dobbs Houses	Dec. '91	400	400	0	380	380	0	363	363	0
56	56	Restaura	Dec. '91	400	400	0	382	382	0	408	408	0
57	54	Seiler Corp.	Aug. '91	400	400	0	400	400	0	395	395	0
58	49	Rax	July '91	358	105	253	454	151	303	498	140	358
59	64	Rally's	Dec. '91	332	116	216	257	93	164	192	73	119
60	59	The Wood Co.	Dec. '91	315	315	0	290	290	0	284	284	0
61	66	Olive Garden	May '92	303	303	0	253	253	0	200	200	0
62	60	Sheraton Hotels	Dec. '91	290	54	236	281	52	229	264	48	216
63	61	Show Biz/Chuck E. Cheese's	Dec. '91	284	160	124	267	144	123	257	130	127
64	69	Chili's Grill & Bar	June '92	280	225	55	243	197	46	211	174	37
65	62	ServiceMaster Food Management Services	Dec. '91	280	280	0	265	265	0	256	256	0
66	65	Bob Evans Farms	Apr. '92	275	275	0	255	255	0	241	241	0
67	63	Hilton Hotels	Dec. '91	268	51	217	259	49	210	251	47	204
68	67	White Castle	Dec. '91	260	260	0	252	252	0	245	245	0
69	68	Six Flags amusement parks	Dec. '91	245	245	0	245	245	0	245	245	0
70	71	Chi-Chi's	Sept. '91	243	176	67	230	164	66	208	144	64
71	70	Krystal	Dec. '91	237	232	5	235	232	3	229	229	0
72	72	Village Inn	Oct. '91	227	121	106	228	124	104	234	133	101
73	73	Bennigan's	June '92	223	223	0	223	223	0	223	223	0
74	74	Quincy's	Dec. '91	219	219	0	212	212	0	213	213	0
75	75	Ground Round	Dec. '91	203	154	49	199	154	45	192	155	37
76	79	Applebee's Neighborhood Grill & Bar	Dec. '91	182	25	157	160	27	133	113	18	95
77	77	Bakers Square	Oct. '91	180	180	0	167	167	0	159	159	0
78	81	T.G.I. Friday's	Dec. '91	180	130	50	159	122	37	148	126	22
79	80	Ryan's Family Steak House	Dec. '91	175	140	35	159	126	33	141	110	31
80	83	Radisson Hotels	Dec. '91	170	29	141	154	27	127	142	25	117
81	76	Morrison's	May '92	168	168	0	171	171	0	174	174	0
82	78	Marie Callender's	Dec. '91	162	62	100	161	61	100	156	58	98
83	84	Piccadilly	June '92	160	160	0	152	152	0	147	147	0
84	86	Ruby Tuesday	May '92	159	159	0	134	134	0	109	109	0
85	82	Steak and Ale	June '92	158	158	0	158	158	0	158	158	0
86	85	Luby's Cafeteria	Aug. '91	150	150	0	137	137	0	124	124	0
87	87	Furr's Cafeterias	Dec. '91	125	125	0	125	125	0	125	125	0
88	89	Tony Roma's - A Place for Ribs	Feb. '92	121	17	104	116	16	100	103	15	88
89	88	El Torito	Dec. '91	118	111	7	117	111	6	113	109	4
90	91	Ogden Allied Entertainment Services	Dec. '91	108	108	0	102	102	0	80	80	0
91	92	Cracker Barrel	Aug. '91	106	106	0	88	88	0	73	73	0
92	90	Hyatt Hotels	Jan. '92	106	106	0	108	108	0	101	101	0
93	93	Stuart Anderson's Black Angus	Dec. '91	86	86	0	84	84	0	84	84	0
94	94	Sportservice	Dec. '91	77	77	0	75	75	0	69	69	0
95	95	Marriott In-Flite	Dec. '91	67	67	0	68	68	0	66	66	0
96	96	Dobbs International	Dec. '91	52	52	0	52	52	0	46	46	0
97	97	Concession Air	Dec. '91	47	47	0	47	47	0	45	45	0
98	98	Sky Chefs	Dec. '91	37	37	0	39	39	0	38	38	0
99	99	Westin Hotels	Dec. '91	34	34	0	33	33	0	34	34	0
100	100	Disney theme parks and hotels	Sept. '91	13	13	0	13	13	0	11	11	0
		TOTAL:		117,045	52,043	65,002	112,592	50,270	62,278	109,314	50,112	59,202

Source: NRN Research

TOP 100 CHAINS
RANKED BY GROWTH IN TOTAL NUMBER OF U.S. UNITS

(year-to-year percentage change)

1991 Rank	1990 Rank	Chain	Fiscal Year Ends	Percentage Change	
				'91 vs. '90	'90 vs. '89
1	2	Rally's	Dec. '91	29.18%	33.85%
2	9	Subway	Dec. '91	22.20	20.23
3	8	Cracker Barrel	Aug. '91	20.45	20.55
4	4	Olive Garden	May '92	19.76	26.50
5	5	Ruby Tuesday	May '92	18.66	22.94
6	66	Ramada Inn	Dec. '91	18.11	2.01
7	10	Sbarro, The Italian Eatery	Dec. '91	17.51	19.01
8	16	Dunkin' Donuts	Feb. '92	16.48	13.82
9	14	Chili's Grill & Bar	June '92	15.23	15.17
10	1	Applebee's Neighborhood Grill & Bar	Dec. '91	13.75	41.59
11	12	Little Caesars Pizza	Dec. '91	13.46	17.52
12	30	T.G.I. Friday's	Dec. '91	13.21	7.43
13	6	Gardner Merchant Food Services	Jan. '92	12.75	22.89
14	25	Radisson Hotels	Dec. '91	10.39	8.45
15	18	Ryan's Family Steak House	Dec. '91	10.06	12.77
16	21	Luby's Cafeteria	Aug. '91	9.49	10.48
17	64	The Wood Co.	Dec. '91	8.62	2.11
18	29	Perkins Family Restaurants	Dec. '91	8.27	7.55
19	42	Taco Bell	Dec. '91	8.00	4.70
20	36	Bob Evans Farms	Apr. '92	7.84	5.81
21	39	Bakers Square	Oct. '91	7.78	5.03
22	34	Carl's Jr.	Jan. '92	6.98	6.11
23	47	Show Biz/Chuck E. Cheese's	Dec. '91	6.37	3.89
24	15	Marriott Hotels & Resorts	Dec. '91	6.32	15.15
25	46	K mart	Jan. '92	6.11	4.05
26	3	Ogden Allied Entertainment Services	Dec. '91	5.88	27.50
27	51	ServiceMaster Food Mgmt. Servs.	Dec. '91	5.66	3.52
28	20	Chi-Chi's	Sept. '91	5.65	10.58
29	35	Shoney's	Oct. '91	5.56	5.88
30	31	Chick-fil-A	Dec. '91	5.44	7.30
31	7	Hardee's	Dec. '91	5.42	22.21
32	40	Jack in the Box	Sept. '91	5.41	4.97
33	43	Dobbs Houses	Dec. '91	5.26	4.68
34	53	Piccadilly	June '92	5.26	3.40
35	38	Ponderosa	Feb. '92	4.73	5.11
36	94	Restaura	Dec. '91	4.71	– 6.37
37	22	Marriott Management Services	Dec. '91	4.68	9.73
38	41	Pizza Hut	Dec. '91	4.62	4.84
39	44	Sonic Drive-In	Nov. '91	4.35	4.45
40	49	Domino's Pizza	Dec. '91	4.32	3.56
41	19	Tony Roma's—A Place for Ribs	Feb. '92	4.31	12.62
42	71	Burger King	Sept. '91	4.20	1.29
43	95	Baskin-Robbins	Feb. '92	4.09	– 8.15
44	67	ARA Services/ARASERVE	Sept. '91	3.85	1.96
45	23	Red Lobster	May '92	3.59	9.13
46	28	Arby's	Dec. '91	3.52	7.57
47	56	Hilton Hotels	Dec. '91	3.47	3.19
48	37	Popeye's Chicken	Oct. '91	3.47	5.28
49	27	Host International	Dec. '91	3.40	7.83
50	85	Quincy's	Dec. '91	3.30	– 0.47
51	33	Sheraton Hotels	Dec. '91	3.20	6.44
52	58	White Castle	Dec. '91	3.17	2.86
53	91	Westin Hotels	Dec. '91	3.03	– 2.94
54	75	Sizzler	Apr. '92	2.69	0.48
55	24	Sportservice	Dec. '91	2.67	8.70
56	61	McDonald's	Dec. '91	2.60	2.44
57	81	Stuart Anderson's Black Angus	Dec. '91	2.38	0.00
58	74	Wendy's	Dec. '91	2.13	0.86
59	48	Ground Round	Dec. '91	2.01	3.65
60	52	Captain D's Seafood	Oct. '91	1.91	3.46
61	54	Big Boy	Dec. '91	1.80	3.39
62	68	Round Table Pizza	June '92	1.79	1.82
63	89	Godfather's Pizza	May '92	1.19	– 2.50
64	98	Golden Corral	Dec. '91	1.12	–11.18
65	50	El Torito	Dec. '91	0.85	3.54
66	60	Krystal	Dec. '91	0.85	2.62
67	76	Canteen Corp.	Dec. '91	0.73	0.43
68	55	Marie Callender's	Dec. '91	0.62	3.21
69	83	Del Taco	Dec. '91	0.24	– 0.24
70	65	International House of Pancakes	Dec. '91	0.20	2.08
71	82	Dairy Queen	Nov. '91	0.17	– 0.11
72	70	KFC	Dec. '91	0.08	1.40
73	69	Denny's	Dec. '91	0.08	1.57
74	97	7-Eleven	Dec. '91	0.00	–10.39
75	77	Bennigan's	June '92	0.00	0.00
76	100	Circle K	Oct. '92	0.00	–16.67
77	45	Concession Air	Dec. '91	0.00	4.44
78	11	Disney theme parks and hotels	Sept. '91	0.00	18.18
79	17	Dobbs International	Dec. '91	0.00	13.04
80	78	Furr's Cafeterias	Dec. '91	0.00	0.00
81	84	Holiday Inns	Dec. '91	0.00	– 0.25
82	73	Long John Silver's	June '92	0.00	1.26
83	72	Seiler Corp.	Aug. '91	0.00	1.27
84	79	Six Flags amusement parks	Dec. '91	0.00	0.00
85	80	Steak and Ale	June '92	0.00	0.00
86	63	Waffle House	June '92	0.00	2.19
87	26	Whataburger	Dec. '91	0.00	8.45
88	90	Village Inn	Oct. '91	– 0.44	– 2.56
89	88	Morrison Custom Management	May '92	– 1.35	– 1.93
90	57	Marriott In-Flite	Dec. '91	– 1.47	3.03
91	93	Church's Fried Chicken	Oct. '91	– 1.61	– 4.68
92	87	Morrison's	May '92	– 1.75	– 1.72
93	32	Hyatt Hotels	Jan. '92	– 1.85	6.93
94	92	Friendly's Restaurants	Dec. '91	– 2.52	– 3.52
95	13	TCBY	Nov. '91	– 2.54	16.75
96	59	Sky Chefs	Dec. '91	– 5.13	2.63
97	86	Bonanza	Feb. '92	– 5.38	– 1.57
98	99	Western Sizzlin'	Dec. '91	– 6.74	–13.42
99	62	Service America	Mar. '92	–13.79	2.35
100	96	Rax	July '91	–21.15	– 8.84

*Projected
Source: NRN Research

TOP 100 CHAINS RANKED BY GROWTH IN U.S. FRANCHISE UNITS

(year-to-year percentage change)

1991 Rank	1990 Rank	Chain	Fiscal Year Ends	Projected Total Units	Franchise Units	Franch. Unit % Change '91 vs. '90	Franch. Unit % Change '90 vs. '89
1	60	Krystal	Dec. '91	237	5	66.67	*
2	1	Golden Corral	Dec. '91	450	65	35.42	336.36
3	3	T.G.I. Friday's	Dec. '91	180	50	35.14	68.18
4	6	Rally's	Dec. '91	332	216	31.71	37.82
5	10	Subway	Dec. '91	5,752	5,747	22.35	20.59
6	8	Chili's Grill & Bar	June '92	280	55	19.57	24.32
7	11	Sbarro, The Italian Eatery	Dec. '91	537	129	18.35	17.20
8	38	Ramada Inn	Dec. '91	600	600	18.11	2.01
9	5	Applebee's Neighborhood Grill & Bar	Dec. '91	182	157	18.05	40.00
10	4	El Torito	Dec. '91	118	7	16.67	50.00
11	13	Dunkin' Donuts	Feb. '92	2,014	2,012	16.50	14.30
12	2	Carl's Jr.	Jan. '92	613	169	13.42	73.26
13	21	Radisson Hotels	Dec. '91	170	141	11.02	8.55
14	29	Taco Bell	Dec. '91	3,485	1,524	10.76	3.85
15	17	Ponderosa	Feb. '92	775	375	10.29	10.75
16	16	Perkins Family Restaurants	Dec. '91	432	314	9.79	11.28
17	9	Ground Round	Dec. '91	203	49	8.89	21.82
18	15	Little Caesars Pizza	Dec. '91	3,600	850	6.92	12.93
19	22	Shoney's	Oct. '91	760	455	6.56	6.75
20	33	Pizza Hut	Dec. '91	6,800	3,400	6.25	3.23
21	24	Ryan's Family Steak House	Dec. '91	175	35	6.06	6.45
22	56	Baskin-Robbins	Feb. '92	2,265	2,237	5.67	– 8.51
23	44	McDonald's	Dec. '91	8,692	7,133	4.96	4.25
24	19	Domino's Pizza	Dec. '91	5,219	3,997	4.22	10.07
25	27	Sonic Drive-In	Nov. '91	1103	1028	4.15	4.22
26	7	Hardee's	Dec. '91	4,240	3,035	4.05	32.29
27	31	Popeye's Chicken	Oct. '91	805	675	4.01	3.67
28	14	Tony Roma's — A Place for Ribs	Feb. '92	121	104	4.00	13.64
29	49	Burger King	Sept. '91	5,655	4,729	3.89	– 0.22
30	36	Hilton Hotels	Dec. '91	268	217	3.33	2.94
31	26	Captain D's Seafood	Oct. '91	640	280	3.32	4.63
32	23	Arby's	Dec. '91	2,382	2,120	3.31	6.60
33	41	Jack in the Box	Sept. '91	1,091	397	3.12	1.05
34	25	Sheraton Hotels	Dec. '91	290	236	3.06	6.02
35	51	Godfather's Pizza	May '92	512	349	2.35	– 1.45
36	47	Wendy's	Dec. '91	3,595	2,509	2.03	0.00
37	35	Village Inn	Oct. '91	227	106	1.92	2.97
38	39	Round Table Pizza	June '92	570	570	1.79	1.82
39	55	Sizzler	Apr. '92	648	400	1.78	– 6.21
40	32	Big Boy	Dec. '91	953	820	1.74	3.47
41	34	Chi-Chi's	Sept. '91	243	67	1.52	3.13
42	54	Show Biz/Chuck E. Cheese's	Dec. '91	284	124	0.81	– 3.15
43	18	Denny's	Dec. '91	1,295	304	0.66	10.62
44	48	Dairy Queen	Nov. '91	4,630	4,625	0.17	– 0.11
45	53	7-Eleven	Dec. '91	5,943	3,058	0.00	– 1.77
46	45	Circle K	Oct. '92	3,859	63	0.00	0.00
47	46	Del Taco	Dec. '91	424	124	0.00	0.00
48	50	Holiday Inns	Dec. '91	1,578	1,401	0.00	– 0.36
49	43	Long John Silver's	June '92	1,452	455	0.00	0.22
50	37	Marie Callender's	Dec. '91	162	100	0.00	2.04
51	30	Marriott Hotels & Resorts	Dec. '91	404	55	0.00	3.77
52	28	Waffle House	June '92	700	385	0.00	4.05
53	20	Whataburger	Dec. '91	475	179	0.00	9.15
54	40	International House of Pancakes	Dec. '91	491	426	– 0.70	1.18
55	57	Church's Fried Chicken	Oct. '91	1,042	358	– 1.92	– 9.65
56	12	TCBY	Nov. '91	1,800	1,620	– 3.40	17.03
57	52	Bonanza	Feb. '92	475	473	– 5.40	– 1.57
58	58	Western Sizzlin'	Dec. '91	415	410	– 6.82	– 14.40
59	42	KFC	Dec. '91	5,010	3,225	–10.84	0.56
60	59	Rax	July '91	358	253	–16.50	– 15.36

Note: The 40 Top 100 chains not represented on this table do not franchise.

*From '89 to '90, Krystal's franchise system grew from zero to 3 units (of its total 235 units), a growth rate inexpressible as a percentage.

Source: NRN Research

Questions and answers on the Top 100

Publication of the Top 100 issue usually tests the durability of NRN's switchboard by drawing a flood of inquiries about the rankings and how they were drafted. What follows are answers to some of the most frequently asked questions.

Q: Why wasn't my chain or company included in the listings?
A: Unless a chain generated at least $209.9 million in domestic systemwide sales, it will not appear on any of the Top 100 Chains listings. Similarly, a company had to generate at least $101.1 million in foodservice revenues — not total intake — to appear on the Top 100 Companies ranking.

Q: But my chain has more units than some of the chains included on the Top 100 ranking by number of units. Why wasn't it included on that lists?
A: Only the Top 100 chains, as ranked by systemwide sales, are ranked by such other criteria as number of units and sales per unit. In other words, the universe for those rankings is limited to those chains that appear on Top 100 Chains By Systemwide Sales ranking.

Q: My chain's per-unit sales average exceeds my competitor's averages, yet you listed them on segment rankings and omitted us. Shouldn't we be on those rankings?
A: Here again, only those chains appearing on the Top 100 chains ranking are included in the segment breakouts.

Q: My chain appears on every other industry sales rankings. How could it qualify for those and yet not make your list?
A: Each ranking uses different criteria. We believe that the Top 100 is the industry's most reliable listing because of our rigid adherence to strict standards.

Q: My company's revenues far exceed the tally for many of the chains on the Top 100 Companies ranking, and yet you omitted my concern. Why?
A: Companies were included on the Top 100 Companies list because of their foodservice revenues, not their total revenues. Proceeds from all other types of businesses — including distribution operations — were excluded from the figures.

Q: Why doesn't a chain's sales-per-unit figure, when multiplied by the number of units in the chain, always equal systemwide sales?
A: Most commonly, sales per unit is an annualized average of "comparable" outlets open for more than one year; the equation may exclude newly opened units not generating typical volumes and units that close or are sold during the year.

Q: My chain's domestic systemwide sales are indeed higher than the totals for other chains on the Top 100 Chains ranking. Why wasn't it included?
A: Perhaps it should have been. We might have overlooked during our research, or might have underestimated your growth in our projections for the coming year.

In any case, please help us avoid our mistake next year by providing us with the name and address of someone we can contact for information. Because the preparation of next year's Top 100 section will begin soon, please promptly send the information to: Top 100 Editor, Nation's Restaurant News, 425 Park Avenue, New York, N.Y. 10022.

Q: How do U.S. systemwide sales differ from revenues?
A: Systemwide sales consist of the intake in the U.S. of every company-owned and franchised outlet within a chain or multi-unit operation such as a contract feeder. Revenues are limited to a company's intake from company-run units and franchise royalties.

For example, the intake of every McDonald's unit in the United States constitutes that chain's systemwide sales. But revenues for McDonald's Corp. are limited to the intake of company unit sales and franchise royalties.

Q: What is reflected in the share-of-market figures?
A: In the segment charts, the share-of-market chart lists major players' proportion of the total sales generated only by Top 100 chains competing within that sector.

Q: Where can I write to air comments and criticisms of the Top 100 rankings?
A: Address correspondence to Top 100 Editor, Nation's Restaurant News, 425 Park Avenue, New York, N.Y. 10022.

SANDWICH CHAINS RANKED BY U.S. SYSTEMWIDE SALES

1991 Rank	1990 Rank	Chain	Fiscal Year Ends	Systemwide Sales (By Fiscal Year, In Millions) Current*	Last Full	Prior
1	1	McDonald's	Dec. '91	$12,735.0	$12,251.0	$12,012.0
2	2	Burger King	Sept. '91	6,250.0	6,100.0	5,700.0
3	3	Hardee's	Dec. '91	4,346.0	4,101.0	3,362.0
4	4	Wendy's	Dec. '91	2,891.0	2,762.0	2,793.0
5	5	Taco Bell	Dec. '91	2,780.0	2,461.0	2,134.0
6	6	Dairy Queen	Nov. '91	2,010.6	1,980.0	1,938.0
7	8	Subway	Dec. '91	1,421.0	1,066.2	777.2
8	7	Arby's	Dec. '91	1,346.0	1,301.0	1,219.0
9	9	Jack in the Box	Sept. '91	1,020.0	943.2	834.0
10	10	Carl's Jr.	Jan. '92	602.1	574.4	549.3
11	11	Sonic Drive-In	Nov. '91	507.1	454.5	390.1
12	13	Whataburger	Dec. '91	318.4	309.6	300.1
13	14	White Castle	Dec. '91	308.0	297.0	282.0
14	12	Rax	July '91	288.0	319.2	334.5
15	15	Del Taco	Dec. '91	267.2	255.0	247.1
16	17	Rally's	Dec. '91	215.6	177.2	132.6
17	16	Krystal	Dec. '91	210.0	201.0	193.0
		TOTAL:		$37,516.0	$35,553.3	$33,197.9

*Projected
Source: NRN Research

SANDWICH CHAINS RANKED BY SALES PER UNIT

1991 Rank	1990 Rank	Chain	Fiscal Year Ends	Sales Per Unit (By Fiscal Year, in Thousands) Current*	Last Full	Prior
1	1	McDonald's	Dec. '91	$1,664.0	$1,656.0	$1,621.0
2	2	White Castle	Dec. '91	1,283.0	1,166.0	1,111.0
3	3	Carl's Jr.	Jan. '92	1,150.0	1,116.0	1,051.0
4	4	Burger King	Sept. '91	1,112.0	1,082.8	1,063.2
5	5	Jack in the Box	Sept. '91	1,040.0	1,020.0	931.0
6	6	Hardee's	Dec. '91	1,032.0	956.0	923.0
7	7	Krystal	Dec. '91	898.0	860.0	830.0
8	10	Taco Bell	Dec. '91	886.0	771.0	686.0
9	9	Wendy's	Dec. '91	827.0	811.0	789.0
10	8	Rally's	Dec. '91	800.0	852.0	922.0
11	11	Whataburger	Dec. '91	698.2	700.2	668.1
12	12	Rax	July '91	662.0	658.0	640.0
13	14	Del Taco	Dec. '91	622.0	520.0	515.0
14	13	Arby's	Dec. '91	535.0	596.0	578.0
15	15	Sonic Drive-In	Nov. '91	493.0	446.0	395.0
16	16	Dairy Queen	Nov. '91	435.0	430.0	421.7
17	17	Subway	Dec. '91	260.0	215.7	198.0
		AVERAGE:		$ 848.1	$ 815.1	$ 784.9

*Projected
Source: NRN Research

Value war still raging in sandwich segment

(Continued from page 1)

thing that is bound to confound and startle his competitors.

"I told them we would not have to raise our prices for five years," he says. "We don't see anything that would cause us to do otherwise, and we may not have to do it then."

Expectations that the discount war will continue is the kind of talk that worries John Merritt, vice president of public affairs for Hardee's, the third-largest burger chain, with 4,200 units.

"A value menu was a good way to keep and maintain share," he explains. "But when you have falling market share — as all of us [burger chains] do because of the growth of the alternative concepts like Subway, Arby's, and Taco Bell — gaining customers is a tough proposition.

"Then you add the effects of people who are not coming out because of the recession, and it becomes a triple witching hour. We're just not making as much off of the average customer as we were two to three years ago."

Combined systemwide sales among the 17 sandwich chains in the Top 100 are expected to grow just 5.5 percent — virtually equal to the rate of inflation — to hit a category volume of $37.5 billion in 1991.

Of that amount, the big four chains — McDonald's, Burger King, Hardee's and Wendy's — are projected to garner $26.2 billion, or 70 percent.

But that rate of dominance is misleading as the Gang of Four's aggregate systemwide sales continues to soften, growing only 4 percent.

Meanwhile, Subway emerges as the Top 100's fastest-growing chain in terms of systemwide sales, with volume projected to rise 33 percent in 1991, to $1.4 billion. And knocking at the door for entry into the Big Four is Pepsico's discounting king, Taco Bell, whose systemwide sales are projected to grow 12 percent in 1991, to $2.7 billion.

Jack Goodall, chairman of Foodmaker Inc., parent company of 1,091-unit Jack In The Box, said that while the chain is also slugging it out with low prices, its strategy is not to lose its identity or stray from its market niche for the sake of low prices.

"We have today too many people going after business at any cost," he says. "One thing I've learned is that anybody can give anything away. But when a quarter to one-third of your customers have low loyalty to the brand and when everybody starts knocking each other off, you have to be clear about your identity and the niche you're in."

Segment leader McDonald's, which bucked the discounting trend by raising menu prices for three of the past four years, joined the value fray in a major shift in pricing strategy at the beginning of the year by adding nine low-priced menu items.

With same-store sales slipping, profits softening and its international markets contributing more to the company's coffers than do domestic operations, McDonald's overhauled its pricing strategy in introducing its "Low Down Menu," which seeks to boost margins by raising customer-traffic levels.

Among the "low down" changes, cheeseburgers went down to 59 cents; McD's signature burger, the Big Mac, went down to 99 cents; and most drinks fell under $1.

Just a few months earlier, Burger King had launched its Burger Buddies combo of two hamburgers for 89 cents and, later, launched Breakfast Buddies, a 59-cent breakfast sandwich that came with a disposable razor blade. While both of those products now appear only as limited-time promotions, Burger King now keeps at least some low-priced sandwiches on its menu at all times.

Not to be outdone, Hardee's kicked off its own three-for-$1 deal, selling hamburgers at 34 cents.

Meanwhile, Wendy's has quietly engineered the segment's most impressive comeback with a 99-cent value menu and an effective advertising campaign that focuses on quality and products, not price.

"We recognize that the 99-cent price point is extremely important in today's environment," explains Denny Lynch, a Wendy's spokesman. "We want to have the 99-cent price point, but we also want a balanced menu. So, you take less profits on those 99-cent items but remain healthy in the long term, with a fixed, overall pricing structure.

"What it means is that you realize you can't make a 10-percent margin on every product," Lynch adds. "You have to accept that maybe you can only get 5 percent [out] of the 99 cents, but somewhere else on your menu maybe you can get 12 percent."

But achieving margin goals in a value-oriented environment is going to be

(See VALUE, page 89)

Pizza
14 Pizzeria Pizza
CHEESE $5 84
SAUSAGE OR PEPPERONI $6 83
DELUXE $9 49
MADE FRESH...AFTER 4 PM

One of 500 McDonald's units that are experimenting with pizza. In addition to pizza, other McD restaurants are testing skinless broiled chicken as part of the chain's continuing effort to diversify its menu.

Value war still raging in sandwich segment

(Continued from page 84)

increasingly tough for some of the larger chains, as wholesale food costs begin to rise, analyst Levy says.

"Value menus are just not feasible in a rising commodity market, and there are signs that that is beginning to happen," she explains. "Ultimately the discounting trend will have to be scaled back."

John Merritt agrees. Hardee's is "not a charitable organization," he says. "Our reason for existing is to be profitable." Sensing dire implications of pricing trends for the segment at large, Merritt notes, "With continually falling AUVs [average-unit volumes] and with rising food costs, there's bound to be a shakeout."

Mike Mueller of Montgomery Securities said one of the most pervasive problems facing the sandwich segment is that even if the chains wanted to raise prices, consumers would bolt.

But Taco Bell's Martin claims he is unperturbed by talk of rising food costs. Even if wholesale food costs begin inflating, according to him, the systems Taco Bell has in place can still allow the chain to avoid menu price increases.

One big reason for Martin's confidence is the chain's commissary program, or "K-minus" system, which basically prepares food out of house to hold average-unit operating costs to a minimum and permit the shrinking of kitchen space in new and remodeled Taco Bell outlets.

"We expected food costs to increase," he says. "We're probably paying $600,000 more a week for lettuce and tomatoes than we were a year ago.

However, "it's nothing new about food costs rising," Martin adds, noting that his chain's value-driven traffic surges have more than offset cost increases. "We entered this strategy with the conviction that we would not have to raise prices."

Mike Mueller, an analyst with Montgomery Securities, observes that one of the most pervasive problems facing the sandwich segment is that even if the chains wanted to raise prices, consumers would bolt, sensing that there is little difference among the major players.

"Basically, these are commodity products, with not a lot of differences between them," he explains, "and it keeps the pressure on everyone to keep prices low."

But Rax Restaurants, the financially troubled sandwich chain, broke with the pack and abandoned a value menu in favor of high-end, premium sandwiches in the $5-to-$7 range.

Menu diversification

Another strategy some chains are deploying to combat slumping sales is menu diversification.

Fighting to stem soft same-store sales, McDonald's is diversifying its menu to an unprecedented degree, selling everything from carrot sticks and breakfast burritos to catfish sandwiches. The chain's well-publicized pizza test now involves nearly 500 restaurants, and McDonald's is also looking at such potential new items as skinless broiled chicken and pasta salads.

In many locales McDonald's franchisees have the option of adding regional favorites.

Hardee's, which, like McDonald's, is striving to build dinner business, is diversifying by adding its Roy Rogers-brand chicken to its menus.

But menu diversification is a mixed bag, industry players and analysts contend. On one hand, variety and novelty may bring in the curious, who are lured by promotions. But in a competitive era of lower prices, product diversity may not be a strategy that builds customer loyalty if menus become blurry smorgasbords.

"The fundamental problem is that there is less demand for [chains'] core menu," Mueller reasons. "Many companies have no choice but to diversify their menus, but the hazard is they'll watch as their service ability deteriorates because of their complex kitchen operations."

Mueller's conclusion: "More products mean slower serving speeds."

But Jack in the Box's Goodall argues that when chains are secure in their markets, the addition of new products should not be a problem.

Sticking to a formula drafted nearly 12 years ago, Jack in the Box's menu has grown through a careful selection of new products and an introduction of two to three new items a year while the chain stays carefully attuned to its identity as a fast-food provider for busy adults.

"We spend all of our resources and advertising on new products," he says. "It drives this business, and, given that we have some sort of [value] deal every day of the year, it's an effective strategy we don't plan to change.

"But I think a lot of people let this trend to change the menu get out of hand. They have one foot in the water and one foot out. People are trying to be all things to all people, and you just can't do that."

To be sure, not all the sandwich chains are diversifying their menus. Such chains as drive-thru-only specialist Rally's, small-town kingpin Dairy Queen and drive-in expert Sonic have been successful in sticking to limited, core menus. And Wendy's turnaround has largely been founded on a "back-to-basics" approach.

Wendy's Lynch says the chain was probably one of the first to suffer the pitfalls of rampant menu diversification several years ago, when it attempted to compete in the breakfast business, offered low-calorie items and lost customers.

"All we want to be known as is a place for burgers, chicken and salads," he explains.

Increasingly, nutritional concerns are playing an even greater role in menu planning as an aging customer base demands more healthful fare. While salads, skinless chicken and 100-percent vegetable oils for frying purposes were some of the short-term fixes to appease disgruntled customers last year, some chains, most notably McDonald's and Hardee's, have spent millions to develop and position low-fat burgers for future battle.

McDonald's made big news with the introduction of McLean Deluxe, the 91-percent-fat-free burger.

Hardee's responded several months later with its Real Lean Deluxe, a 100-percent beef patty.

Meanwhile, Burger King and Wendy's say they are far from introducing low-fat burger alternatives. And Wall Street indicates its belief that low-fat burgers are not the home runs the chains need.

"These lean version are only substitutes," Levy opines. "They will not bring in new customers."

"I told them we would not have to raise our prices for five years. We don't see anything that would cause us to do otherwise and we may not have to do it then."

— John Martin,
Taco Bell prexy

SANDWICH CHAINS RANKED BY NUMBER OF U.S. UNITS

1991 Rank	1990 Rank	Chain	Fiscal Year Ends	Year-end Number of Units Current*	Last Full	Prior
1	1	McDonald's	Dec. '91	8,692	8,472	8,270
2	3	Subway	Dec. '91	5,752	4,707	3,915
3	2	Burger King	Sept. '91	5,655	5,427	5,358
4	4	Dairy Queen	Nov. '91	4,630	4,622	4,627
5	5	Hardee's	Dec. '91	4,240	4,022	3,291
6	6	Wendy's	Dec. '91	3,595	3,520	3,490
7	7	Taco Bell	Dec. '91	3,485	3,227	3,082
8	8	Arby's	Dec. '91	2,382	2,301	2,139
9	9	Sonic Drive-In	Nov. '91	1,103	1,057	1,012
10	10	Jack in the Box	Sept. '91	1,091	1,035	986
11	11	Carl's Jr.	Jan. '92	613	573	540
12	12	Whataburger	Dec. '91	475	475	438
13	14	Del Taco	Dec. '91	424	423	424
14	13	Rax	July '91	358	454	498
15	15	Rally's	Dec. '91	332	257	192
16	16	White Castle	Dec. '91	260	252	245
17	17	Krystal	Dec. '91	237	235	229
		TOTAL:		43,324	41,059	38,736

*Projected
Source: NRN Research

SANDWICH CHAINS RANKED BY TOP 100 MARKET SHARE

(share of aggregate sales of sandwich chains in Top 100)

1991 Rank	1990 Rank	Chain	Fiscal Year Ends	Annual Market Share Current*	Last Full	Prior
1	1	McDonald's	Dec. '91	33.95%	34.46%	36.18%
2	2	Burger King	Sept. '91	16.66	17.16	17.17
3	3	Hardee's	Dec. '91	11.58	11.53	10.13
4	4	Wendy's	Dec. '91	7.71	7.77	8.41
5	5	Taco Bell	Dec. '91	7.41	6.92	6.43
6	6	Dairy Queen	Nov. '91	5.36	5.57	5.84
7	8	Subway	Dec. '91	3.79	3.00	2.34
8	7	Arby's	Dec. '91	3.59	3.66	3.67
9	9	Jack in the Box	Sept. '91	2.72	2.65	2.51
10	10	Carl's Jr.	Jan. '92	1.60	1.62	1.65
11	11	Sonic Drive-In	Nov. '91	1.35	1.28	1.18
12	13	Whataburger	Dec. '91	0.85	0.87	0.90
13	14	White Castle	Dec. '91	0.82	0.84	0.85
14	12	Rax	July '91	0.77	0.90	1.01
15	15	Del Taco	Dec. '91	0.71	0.72	0.74
16	17	Rally's	Dec. '91	0.57	0.50	0.40
17	16	Krystal	Dec. '91	0.56	0.57	0.58
		TOTAL:		100.00%	100.00%	100.00%

*Projected
Source: NRN Research

CONTRACT CHAINS RANKED BY U.S. SYSTEMWIDE SALES

1991 Rank	1990 Rank	Chain	Fiscal Year Ends	Systemwide Foodservice Sales (By Fiscal Year, In Millions) Current*	Last Full	Prior
1	1	Marriott Management Services	Dec. '91	$ 2,410.0	$ 2,340.0	$ 2,120.0
2	2	ARA Services/ARASERVE	Sept. '91	1,752.4	1,680.8	1,577.0
3	3	Canteen Corp.	Dec. '91	1,220.0	1,370.0	1,400.0
4	4	Service America	Mar. '92	1,100.0	1,100.0	1,060.0
5	5	Host International	Dec. '91	667.0	642.0	610.0
6	6	Marriott In-Flite	Dec. '91	609.0	641.0	557.0
7	7	Morrison Custom Management	May '92	579.0	541.0	531.0
8	8	Sky Chefs	Dec. '91	458.0	440.0	394.0
9	9	Seiler Corp.	Aug. '91	403.5	390.0	350.0
10	10	Dobbs International	Dec. '91	317.5	301.0	277.0
11	12	ServiceMaster Food Mgmt. Servs.	Dec. '91	270.0	239.0	228.0
12	11	Ogden Allied Ent. Servs.	Dec. '91	250.0	244.5	224.0
13	13	Restaura	Dec. '91	249.0	230.0	253.0
14	14	Sportservice	Dec. '91	244.1	226.7	209.0
15	17	The Wood Co.	Dec. '91	237.0	198.3	172.7
16	15	Dobbs Houses	Dec. '91	231.0	220.0	197.0
17	18	Gardner Merchant Food Services	Jan. '92	230.0	178.0	124.0
18	16	Concession Air	Dec. '91	218.4	212.0	195.3
		TOTAL:		$11,445.9	$11,194.3	$10,479.0

*Projected
Source: NRN Research

Lehigh University students enjoy The Wood Company's Pete's Arena pizza at the on-campus club, The Stage Door. The Wood Company ranks 15th in the segment.

Contract feeders zero in on client needs

From low-fat menu rollouts to management restructuring, non-commercial feeders adopt a 'do whatever it takes' attitude to satisfy the customer

by Bill Carlino

Whether launching new lines of nationally branded or proprietary cuisine concepts, instituting service-training programs or restructuring management levels, contract feeders are going full bore in an attempt to meet client demands more efficiently.

In a segment once dominated by a "growth-through-acquisition" creed, the recent economic downturn has forced many non-commercial operators to bypass the traditional practice of swallowing smaller companies.

Instead, operators have opted for a more intensive intramural focus to ensure account quality and keep their client base from venturing toward commercial restaurants at meal times.

Contractors have shifted from acquisition coups to such operations priorities as the introduction of low-fat menu items, the establishment of point-of-service prototypes and the realignment of management in order to place decision makers closer to the segment's most important power broker — the customer.

"When you are impacted by hard economic times, your business necessitates that you alter your operating philosophy somewhat," says Malcolm Knapp, president of Malcolm Knapp Inc., a New York-based consulting and research firm. "A recession is usually followed by restructuring."

Two of the segment's larger players — Marriott Corp. and Service America — have each completed internal reorganizations, thereby intensifying their concentration on individual lines of business, while enhancing customer service.

"We decided that we were more than just a food company," Charles "Chuck" O'Dell, executive vice president and general manager of Marriott Management Services, the Washington, D.C.-based contract services division for the hospitality conglomerate. "We're really a multifaceted service management company."

Marriott took what had been two distinct contract divisions — business and facilities, and education and health care — and separated them into five separate operating groups: health care, food and nutrition services; education services; corporate services; facilities school services; and facilities management.

Over the past year Marriott Management Services also divested nearly 400 accounts; formed an international joint venture with Fintermica, an Italian management service company; and developed "La Tacoria," a soft taco program, in many of its Southwestern business and industry accounts.

To highlight a commitment to maintaining high levels of client service, the Marriott division has also created a new position, vice president of quality.

Meanwhile, Service America revamped its operating divisions or geographic "zones" into the company's three primary lines of business: dining services, vending and recreation.

In addition, the Stamford, Conn.-based company drew up a revised payment plan with GE Capital Corp., its senior creditor, and added several high-profile feeding accounts, including IBM; the Colorado Department of Corrections; and the Washington, D.C., convention center.

Service America also ventured into new foodservice "waters" — cruise ships. By virtue of a contract with the Florida-based Europa Cruise Line, Service America will oversee feeding on two boats, which specialize in six-hour charter voyages.

For Canteen Corp., 1990 and 1991 were highlighted by the company's transplant from Chicago to Spartanburg, S.C., as the contract feeder joined parent TW Service's other foodservice divisions there.

In addition to booking $115 million in new business during the year and sealing a foreign franchisee agreement with Canteen of Japan to provide foodservice in business and industry and educational accounts there, Canteen became the first non-commercial operation to join the low-fat menu fray, with its "Smart Burger."

The 91-percent-fat-free product is now a menu option in all Canteen accounts.

*(See **CONTRACT FEEDERS**, page 90)*

CONTRACT CHAINS RANKED BY SALES PER UNIT

(By Fiscal Year, in Thousands)

1991 Rank	1990 Rank	Chain	Fiscal Year Ends	Sales Per Unit Current*	Last Full	Prior
1	1	Sky Chefs	Dec. '91	$12,380.0	$11,320.0	$11,100.0
2	2	Marriott In-Flite	Dec. '91	9,100.0	8,400.0	8,400.0
3	3	Dobbs International	Dec. '91	6,100.0	5,880.0	6,020.0
4	4	Concession Air	Dec. '91	4,647.0	4,510.0	4,340.0
5	5	Sportservice	Dec. '91	3,170.0	3,010.0	3,030.0
6	6	Ogden Allied Ent. Servs.	Dec. '91	2,300.0	2,400.0	2,800.0
7	7	Marriott Management Services	Dec. '91	1,046.0	1,063.0	1,057.3
8	9	Seiler Corp.	Aug. '91	1,010.0	975.0	886.0
9	8	Host International	Dec. '91	997.0	992.0	1,020.0
10	10	ServiceMaster Food Mgmt. Servs.	Dec. '91	964.3	902.0	890.6
11	12	The Wood Co.	Dec. '91	752.4	684.5	608.0
12	15	Service America	Mar. '92	733.0	632.0	624.0
13	11	Canteen Corp.	Dec. '91	730.0	835.0	857.0
14	13	Morrison Custom Management	May '92	722.6	665.7	641.3
15	16	Restaura	Dec. '91	650.0	628.3	644.6
16	14	ARA Services/ARASERVE	Sept. '91	649.0	646.5	618.4
17	17	Dobbs Houses	Dec. '91	577.5	579.0	542.7
18	18	Gardner Merchant Food Servs.	Jan. '92	400.0	350.0	300.0
		AVERAGE:		$ 2,607.2	$ 2,470.7	$ 2,465.6

*Projected
Source: NRN Research

CONTRACT CHAINS RANKED BY NUMBER OF U.S. UNITS

1991 Rank	1990 Rank	Chain	Fiscal Year Ends	Year-end Number of Units Current*	Last Full	Prior
1	1	ARA Services/ARASERVE	Sept. '91	2,700	2,600	2,550
2	2	Marriott Management Services	Dec. '91	2,303	2,200	2,005
3	4	Canteen Corp.	Dec. '91	1,653	1,641	1,634
4	3	Service America	Mar. '92	1,500	1,740	1,700
5	5	Morrison Custom Management	May '92	801	812	828
6	6	Host International	Dec. '91	669	647	600
7	7	Gardner Merchant Food Servs.	Jan. '92	575	510	415
8	10	Dobbs Houses	Dec. '91	400	380	363
9	9	Restaura	Dec. '91	400	382	408
10	8	Seiler Corp.	Aug. '91	400	400	395
11	11	The Wood Co.	Dec. '91	315	290	284
12	12	ServiceMaster Food Mgmt. Servs.	Dec. '91	280	265	256
13	13	Ogden Allied Ent. Servs.	Dec. '91	108	102	80
14	14	Sportservice	Dec. '91	77	75	69
15	15	Marriott In-Flite	Dec. '91	67	68	66
16	16	Dobbs International	Dec. '91	52	52	46
17	17	Concession Air	Dec. '91	47	47	45
18	18	Sky Chefs	Dec. '91	37	39	38
		TOTAL:		12,384	12,250	11,782

*Projected
Source: NRN Research

Contract feeders zero in on clients' needs

(Continued from page 89)

Joining Canteen in health-oriented offerings is Allentown, Pa.-based Wood Co. The midsized feeder unveiled "Heartland Selections," a series of menu items with limited cholesterol, sodium, saturated fats and calories.

Morrison Custom Management of Mobile, Ala., was one of the few noncommercial operators to forge ahead despite the recession.

The diversified feeder sealed a contract with Marcorp., a minority-owned firm, to build a total of 10 McDonald's units along the New York State Thruway.

Morrison's also purchased "Parties Plus," a premier upscale caterer in Los Angeles.

"We set a strategy four years ago, when we saw the downturn in B & I, not to cut corners on quality," says Joe Byrum, president of Morrison Custom Management. "Now we're seeing a resurgence in companies that want a quality foodservice program."

Charles D. O'Dell

Morrison seized that opportunity, gaining business and industry contracts for Firestone, GTE, Hertz, Texaco and Marathon Oil.

Byrum adds that MCM has recently instituted its "Feelings" program, an intensive training program for hourly employees covering all phases of customer service.

Not all of the changes contract feeders made since last year were operational.

Trumbull, Conn.-based Trusthouse Forte Food Services is now operating under a new name and new leadership.

The company, retitled Gardner Merchant Food Services Inc., adopted the name of its London-based owner Gardner Merchant Ltd.

During the year Gardner Merchant acquired Epoch Food Services, a white-collar feeder that is based in California's Silicon Valley. More recently, Gardner bought 21 business and industry accounts from Ogden Corp.

Gardner Merchant also fortified its account portfolio by gaining the feeding contracts for American Express' world headquarters and for the accounting firm of Coopers & Lybrand.

On recreational feeding fronts, a new player appeared on the segment's horizon as Marriott Corp. unveiled its sports and entertainment division — a stadium and arena feeding spin-off of the company's Host International subsidiary.

The new entity promptly garnered the contract for Dodger Stadium in Los Angeles, which had been the marquee account for the local Arthur Food Service for 29 years. Marriott quickly stamped its branding signature at Dodger Stadium by opening outlets of Carl's Jr., TCBY, Taco Bell, Pizza Hut and Jody Maroni's, a local operator specializing in gourmet sausage.

The Marriott division also added the feeding contracts for arenas of the National Basketball Association franchises in Dallas; Salt Lake City; and Orlando, Fla.

Host, Marriott's airport-feeding division, continued its use of nationally known fast-food chains by signing agreements with the Cinnabon sweet-roll chain, Mrs. Fields Cookies and Taco Bell. In addition, Host has now implemented "Premium Stock," a bar concept carrying primarily name-brand liquor, in about 70 percent of its airport lounges.

Another sports-feeding account change was the severing of a 50-year foodservice and concessions partnership between Harry M. Stevens and Madison Square Garden. Paramount Corp., the owner of the historic sports arena, has taken its foodservice in-house.

Restaura Dining Services, the contract arm for the Phoenix-based Dial Corp., scored a major coup of its own in stadium and area circles by winning the contract for the soon-to-be opened America West Arena — the future home court for the Phoenix Suns basketball team.

Restaura complemented its recreational success with a trio of new foodservice concepts, including Restaura-Mart, a convenience-store concept for use as a satellite facility in large manufacturing plants; mobile carts carrying deli sandwiches, breads, pastries and pizza; and a themed catering program.

Restaura also launched Accents, a demonstration-cooking concept that introduces such dishes as Oriental stir-fry meals to company cafeterias.

Faced with Eastern Airlines' liquidation and the Chapter 11 filings by four airlines — Pan Am, America West, Midway and Continental — such in-flight feeders as Caterair International are attempting to compensate for lost revenues through overseas joint ventures.

Caterair, which broke away from its former parent Marriott Corp. 18 months ago in a management-led buyout, has opened a pair of in-flight kitchens in Australia under a joint venture with Quantas Airlines. In addition, Caterair has begun in-flight operations in Moscow under a partnership with Aeroflot and is managing Northwest Airlines' in-flight kitchen in Tokyo.

The Texas-based Sky Chefs has opened a $20 million in-flight kitchen at American Airlines' hub in Miami in addition to opening kitchens at Stewart Airport in Newburgh, N.Y., and New Orleans.

Dobbs International, while sporting new colors and a new logo to mark its 50th year of operation, expanded its in-house adult literacy program and created one of the first supplier-partnership programs for in-flight feeders — SPIRIT, which stands for "Supplier Partnership Involvement Resource Improvement Teams."

> "We're seeing a resurgence in companies that want a quality foodservice program."
> — Joe Byrum, MCM president

CONTRACT CHAINS RANKED BY TOP 100 MARKET SHARE

(share of aggregate sale of contract chains in Top 100)

1991 Rank	1990 Rank	Chain	Fiscal Year Ends	Annual Market Share Current*	Last Full	Prior
1	1	Marriott Management Services	Dec. '91	21.06%	20.90%	20.23%
2	2	ARA Services/ARASERVE	Sept. '91	15.31	15.01	15.05
3	3	Canteen Corp.	Dec. '91	10.66	12.24	13.36
4	4	Service America	Mar. '92	9.61	9.83	10.12
5	5	Host International	Dec. '91	5.83	5.74	5.82
6	6	Marriott In-Flite	Dec. '91	5.32	5.73	5.32
7	7	Morrison Custom Management	May '92	5.06	4.83	5.07
8	8	Sky Chefs	Dec. '91	4.00	3.93	3.76
9	9	Seiler Corp.	Aug. '91	3.53	3.48	3.34
10	10	Dobbs International	Dec. '91	2.77	2.69	2.64
11	12	ServiceMaster Food Mgmt. Servs.	Dec. '91	2.36	2.14	2.18
12	11	Ogden Allied Ent. Servs.	Dec. '91	2.18	2.18	2.14
13	13	Restaura	Dec. '91	2.18	2.05	2.41
14	14	Sportservice	Dec. '91	2.13	2.03	1.99
15	17	The Wood Co.	Dec. '91	2.07	1.77	1.65
16	15	Dobbs Houses	Dec. '91	2.02	1.97	1.88
17	18	Gardner Merchant Food Servs.	Jan. '92	2.01	1.59	1.18
18	16	Concession Air	Dec. '91	1.91	1.89	1.86
		TOTAL:		100.00%	100.00%	100.00%

*Projected
Source: NRN Research

PIZZA CHAINS RANKED BY U.S. SYSTEMWIDE SALES

1991 Rank	1990 Rank	Chain	Fiscal Year Ends	Systemwide Sales (By Fiscal Year, in Millions)		
				Current*	Last Full	Prior
1	1	Pizza Hut	Dec. '91	$4,500.0	$4,000.0	$3,200.0
2	2	Domino's Pizza	Dec. '91	2,585.0	2,486.0	2,354.0
3	3	Little Caesars Pizza	Dec. '91	1,700.0	1,375.0	1,130.0
4	4	Round Table Pizza	June '92	317.0	311.0	295.0
5	5	Show Biz/Chuck E. Cheese's	Dec. '91	316.0	289.0	270.1
6	6	Sbarro, The Italian Eatery	Dec. '91	288.5	250.0	197.0
7	7	Godfather's Pizza	May '92	236.0	229.0	236.0
		TOTAL:		$9,942.5	$8,940.0	$7,682.1

*Projected

Source: NRN Research

Pizza Hut.
PERSONAL
EXPRESS
PAN PIZZA

Pizza Hut has installed kiosk-style operations in a number of schools, airports and hospitals and is looking into opening them in supermarket chains.

Pizza chains hauled into discounting fray

Caught in a fiercely competitive battle for market share, operators deploy value-pricing tactics and explore new avenues of distribution

by Paul Frumkin

With such pizza segment newcomers as McDonald's, Hardee's and Burger King baying at their heels, the major pizza chains are escalating the already fierce battle for market share on two key fronts: pricing and location.

Aggressive chains, such as Pizza Hut, Domino's and Little Caesars Pizza, are finding it increasingly necessary to promote value-added products through sophisticated — and costly — media advertising while at the same time investigating new and untapped points of distribution.

PIZZA CHAINS RANKED BY SALES PER UNIT

1991 Rank	1990 Rank	Chain	Fiscal Year Ends	Sales Per Unit (By Fiscal Year, in Thousands)		
				Current*	Last Full	Prior
1	1	Show Biz/Chuck E. Cheese's	Dec. '91	$1,296.0	$1,252.0	$1,199.0
2	2	Pizza Hut	Dec. '91	600.0	600.0	600.0
3	3	Round Table Pizza	June '92	556.0	555.0	545.0
4	4	Sbarro, The Italian Eatery	Dec. '91	536.0	547.0	513.0
5	5	Domino's Pizza	Dec. '91	505.7	505.6	499.2
6	6	Godfather's Pizza	May '92	505.0	493.0	464.0
7	7	Little Caesars Pizza	Dec. '91	470.0	440.0	437.0
		AVERAGE:		$ 638.4	$ 627.5	$ 608.2

*Projected

Source: NRN Research

Nevertheless, while competition remains ferocious within the rapidly maturing $16 billion pizza market, the top three pizza chains emerged from the fray well placed in the 1991 Top 100 lineup. Segment leader Pizza Hut, for its part, jumped a notch this year, to No. 3, trading places with a troubled Hardee's. Little Caesars also advanced, moving up two spots, to No. 12. Domino's, after a steady climb, however, slid one spot, to No. 8.

"I would say that the segment is more competitive than it has been," says Nancy Kruse, a principal with the Chicago-based Technomic Inc. "And it's apparently being driven by Pizza Hut, which is having a very good year."

Pizza Hut spokesman Roger Rydell agrees that the PepsiCo-owned giant was, indeed, "increasing the heat" in an already competitive environment.

"There is a lot of pricing and dealing going on," Rydell observes. "We're trying to remain relevant to the consumer, and to do that, we have to offer the kind of value the competition is offering."

Pizza Hut's answer to the "two-for-one-price" strategy favored by Little Caesar and Domino's is to emphasize its line of promotionally priced items, such as the Veggie Lover's, Cheese Lover's and Pepperoni Lover's pizzas. "These tactics are obviously having an impact on the way the chains do business," Kruse notes.

However, several industry observers believe that this flood of discounting has made the segment vulnerable. Roger Lipton, an analyst with Ladenburg Thalmann in New York, argues that as a result of widespread discounting, couponing and promotional gimmicks "everybody has figured out by now that there is just not enough value in the regular priced products. It's a 22-percent cost of goods."

Consequently, Lipton adds, "the glory days of takeout and delivery are behind us."

But while he suggests that the sit-down aspect of the business is more secure, the chains continue to investigate as many and as many varied points of distribution as possible. The Farmington Hills, Mich.-based Little Caesars Pizza, which quite literally made its reputation through creative pricing, inked a deal this year with Kmart to open units in at least 400 of the discounter's 2,300 stores during fiscal 1991. Beyond that, the agreement allows the pizza chain to open as many 1,200 Little Caesars' outlets in Kmart stores during the next five years. And, in a departure from Little Caesars' take-out-only strategy, each of the Kmart units will offer seating for about 50.

In addition to the chain's normal fare, the menu will include a special breakfast pizza as well as muffins and danish that will be sold up to 10:30 a.m. Other items include a Caesar sandwich, salads, ice cream and frozen beverages. Each restaurant will employ from 12 to 15 persons, trained by Kmart.

It's no surprise that the deal stirred much debate throughout Little Caesars' licensee ranks. Several operators voiced concern over the possibility that the Kmart units would cannibalize traffic and sales. But others argued that the chain's heightened exposure in so many

*(See **PIZZA CHAINS**, page 98)*

Pizza Hut's answer to the 'two-for-one-price' strategy favored by Little Caesars and Domino's is to emphasize its line's promotionally priced items, such as the Veggie Lover's, Cheese Lover's and Pepperoni Lover's pizzas.

Pizza chains hauled into discounting fray

(Continued from page 96)

Kmart stores would benefit the company in terms of consumer recognition.

And Domino's, which made its reputation on speedy delivery, has begun to investigate the possibility of opening full-service sit-down units with its new Pizzazz! concept. Developed primarily for airport, stadium and campus sites, Pizzazz!, however, could well provide Domino's with an answer to Pizza Hut's full-service "Red Roof" units. There are about 50 such units currently in operation.

A franchisee of the Ann Arbor, Mich.-based Domino's opened the first freestanding Pizzazz! unit in a suburb of Atlanta in June. A spin-off of the original concept, the Roswell, Ga., Pizzazz! offers seating for 50 and a drive-thru service window. In a departure from the traditional Domino's strategy, though, it does not feature delivery.

The menu includes 6-inch pan pizzas, gourmet salads and frozen yogurt, all tailored to capture a slice of the suburban lunch business.

Commenting on the potentialities of the Pizzazz! concept, Mike Orcut, former Domino's vice president of operations and now president of Cowabunga Inc., the 22-unit franchisee spearheading the drive, says, "My intention was to develop something we can put back in the franchisee ranks, a new growth vehicle for a whole new niche."

Pizza Hut, for its part, continues to follow the direction set by president and chief executive Steve Reinemund to establish as many points of distribution as possible. Pizza Hut has already put units in schools, airports, hospitals and other work sites, but it is energetically pursuing new venues. While the company is currently testing kiosks in about a dozen Stop n' Go convenience stores in the Houston area, it is also negotiating with supermarket chains across the country to install Pizza Hut kiosk-style operations in stores. One ongoing discussion with the Phoenix-based ABCO Foods would, if an agreement is reached, establish limited-menu kiosks in the deli-bakery area in as many as 75 ABCO stores.

PIZZA CHAINS RANKED BY TOP 100 MARKET SHARE

(share of aggregate sales of pizza chains in Top 100)

1991 Rank	1990 Rank	Chain	Fiscal Year Ends	Annual Market Share Current*	Last Full	Prior
1	1	Pizza Hut	Dec. '91	45.25%	44.74%	41.66%
2	2	Domino's Pizza	Dec. '91	26.00	27.81	30.64
3	3	Little Caesars Pizza	Dec. '91	17.10	15.38	14.71
4	4	Round Table Pizza	June '92	3.19	3.48	3.84
5	5	Show Biz/Chuck E. Cheese's	Dec. '91	3.18	3.23	3.52
6	6	Sbarro, The Italian Eatery	Dec. '91	2.90	2.80	2.56
7	7	Godfather's Pizza	May '92	2.37	2.56	3.07
		TOTAL:		100.00%	100.00%	100.00%

*Projected

Source: NRN Research

At the same time, Pizza Hut is operating in Bowling Green, Ky., a single-drive-thru, quick-service test unit that can deliver a custom-made Personal Pan Pizza in less than 60 seconds.

But in what could be one of the most dramatic new moves for the company is the anticipated opening of an upscale restaurant prototype in Wichita that would potentially compete with such casual Italian chains as Olive Garden. Although the core menu would, in all liklihood, be pizza, a much broader range of entrées would be available. The new unit would also feature a decor completely different from that of the red-roof units.

But while the big three pizza chains scramble for market share, other Top 100 segment players continue to expand their reach steadily — although somewhat less dramatically. The Irving, Texas-based ShowBiz Pizza Time Inc. — a publicly held company that operates both the ShowBiz Pizza Place and Chuck E. Cheese concepts — has been steadily consolidating and expanding its business. The company — which derives nearly a quarter of sales and revenues from arcade games, videos and robotics shows featured in each unit — reported that improved operating margins and lower interest expenses helped ShowBiz Pizza Time Inc. post a 56-percent increase in net income, to $3.8 million, on an 18-percent rise in revenues, to $50.6 million, for the second quarter ended June 28. For the half-year mark, net income was up 38 percent, to $10 million, while revenues rose 15 percent, to $103.9 million.

PIZZA CHAINS RANKED BY NUMBER OF U.S. UNITS

1991 Rank	1990 Rank	Chain	Fiscal Year Ends	Year-end Number of Units Current*	Last Full	Prior
1	1	Pizza Hut	Dec. '91	6,800	6,500	6,200
2	2	Domino's Pizza	Dec. '91	5,219	5,003	4,831
3	3	Little Caesars Pizza	Dec. '91	3,600	3,173	2,700
4	4	Round Table Pizza	June '92	570	560	550
5	6	Sbarro, The Italian Eatery	Dec. '91	537	457	384
6	5	Godfather's Pizza	May '92	512	506	519
7	7	Show Biz/Chuck E. Cheese's	Dec. '91	284	267	257
		TOTAL:		17,522	16,466	15,441

*Projected

Source: NRN Research

This also marked the 22nd consecutive quarter that ShowBiz reported an increase in comparable-store sales for its pizza concepts, a streak that has been received favorably by Wall Street analysts.

While the company continues to convert the ShowBiz concept over to the Chuck E. Cheese logo, it is also opening new units. Last year eight company restaurants were opened, all of which were funded by ShowBiz's own cash flow, according to chief financial officer Mike Magusiak. He adds that about 15 company restaurants will be opened this year and as many as 25 during the following year.

At the same time, ShowBiz is concentrating on maximizing operations at its core restaurants. To that end, it developed Chuck E. Cheese University, to train operational personnel. "We've geared up from the people side, and we're getting excellent return on our investment," Magusiak says.

But while analysts tend to be bullish on ShowBiz, many turned bearish earlier this year when another public company, Sbarro Inc., suffered an unexpected same-store sales decline. Analysts debated the meaning of the 4-percent slide, questioning whether it was simply a result of operating in the economically troubled Northeast and California — and therefore a short-term phenomenon — or whether Sbarro's growth had finally peaked.

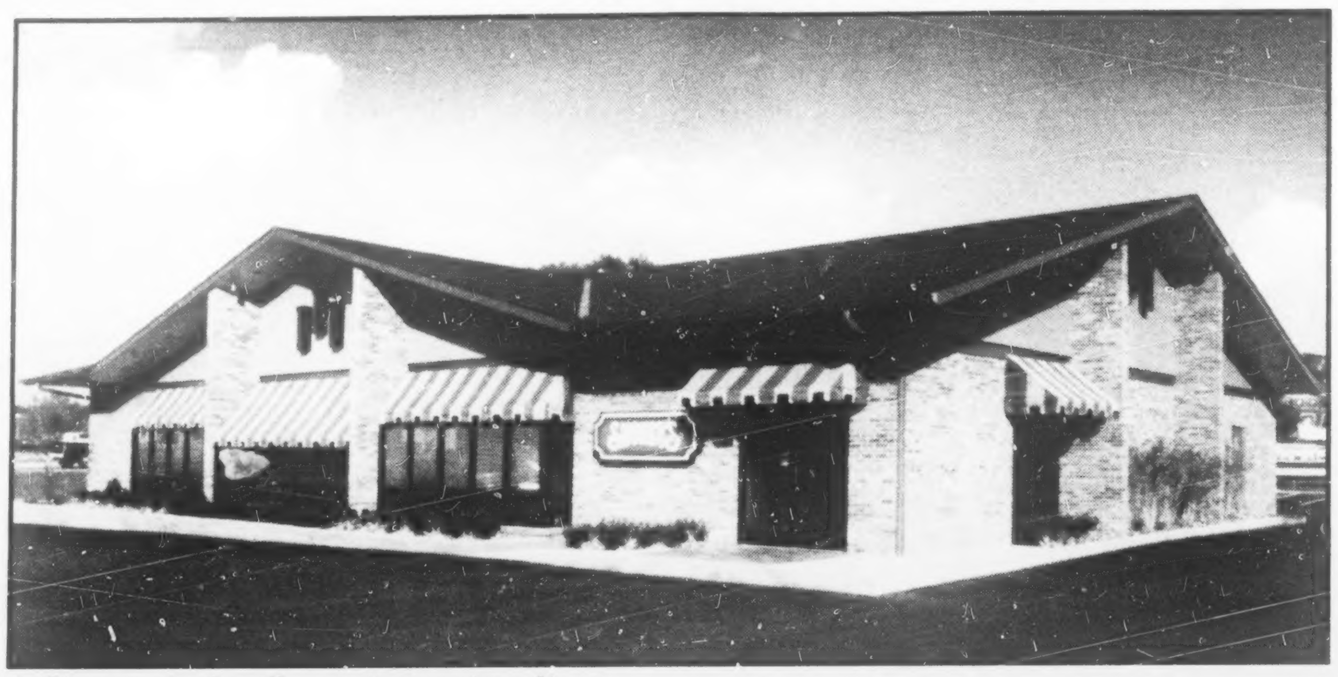
Whatever the case, observers of the Commack, N.Y.-based Italian concept say that Sbarro's unit sales probably won't see any change throughout the remainder of the year. "There's no reason to expect sales to improve dramatically until consumer spending rebounds," observes Bryan C. Elliott, an analyst with the Robinson-Humphrey Co. Inc. in Atlanta. "It will probably take until the end of the year."

Lipton agrees that any increase at the unit level will be dependent on the economy. "If retailing is slow, there's nothing they can do about it," he says. "Sbarro is dependent upon mall activity."

Elliot does note, however, that the company demonstrated operational saavy during the first quarter. "They showed that they were good at controlling costs when sales were soft," he says.

*(See **PIZZA**, page 150)*

> While Domino's is investigating opening a full-service, sit-down unit called Pizzazz!, Pizza Hut is anticipating the opening of an upscale prototype in Wichita, Kan., that will compete with such casual Italian chains as Olive Garden.



A Shoney's family-restaurant unit.

Family chains beat recession blues with value, service

Cracker Barrel, Shoney's lead segment in new-market expansion

by Carolyn Walkup

While fast feeders wrestle on a lower price plateau and dinner houses fight their segment's upscale battles, the industry's leading family-restaurant chains are emphasizing value and service in their midlevel market arena.

"The segment has come through the recession fairly well," says Roger Lipton, analyst with Ladenburg, Thalmann. Family chains "have somewhat less competition than in fast food, so there are fewer participants."

Some of the segment's leaders are adding new restaurants and increasing sales per unit. Openings in new markets by some, particularly Shoney's, indicate there is room for growth for chains that meet today's demand for value in a full-service setting.

Cracker Barrel showed a healthy 20-percent growth rate in adding 18 new stores to a base of 88, primarily along interstate highways. "Its location strategy and concept have been doing well along the highways," said Bryan Elliott, an analyst with Robinson-Humphrey in Atlanta. "It's a good alternative to fast food with a balanced, home-cooked meal at almost equivalent prices."

Shoney's, which added about 40 restaurants this year to a base of 720 and expects to add about 65 more in the coming year, is branching out from its Southeastern base to states like California, New Mexico and Wisconsin. Jeff Sowell, Shoney's vice president of marketing, credits price-value promotions, such as home-style dinners of a meat and two vegetables for $3.99 and $4.99, with attracting new customers and keeping old ones.

Several chains are not currently in expansion modes: Denny's, Big Boy, Friendly's, IHOP, Village Inn, Marie Callenders and Po Folks.

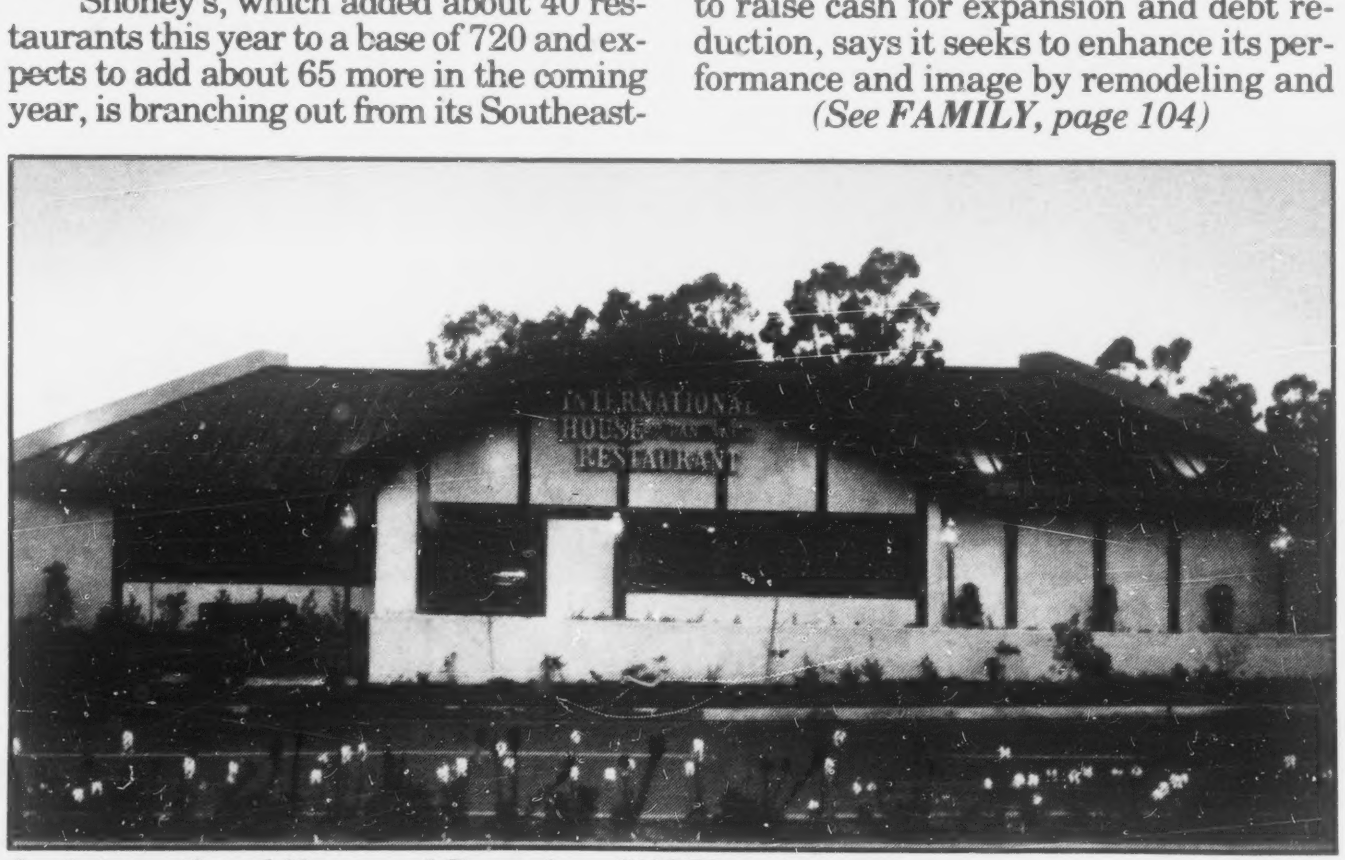
TW Services, the owner of Denny's, says its will embark on major expansions after correcting operational problems inherited from the chain's former owners. Remodeling older stores is a priority. With about 1,295 units, Denny's remains by far the largest chain in the segment.

Although the chain's revenue gains were small, its first-quarter operating income showed a 15-percent rise above last year's volume, perhaps suggesting that better times lie ahead.

Since Marriott turned over its Big Boy restaurants to its former franchisee, Elias Brothers in Warren, Mich., Big Boy has been struggling. "Big Boy is in disarray and shrinking. There is no cohesiveness and no central controls," according to analyst Elliott. Elias Brothers' spokesmen could not be reached for comment.

IHOP, which recently went public to raise cash for expansion and debt reduction, says it seeks to enhance its performance and image by remodeling and

*(See **FAMILY**, page 104)*



An International House of Pancakes (IHOP) restaurant.

FAMILY CHAINS RANKED BY U.S. SYSTEMWIDE SALES

1991 Rank	1990 Rank	Chain	Fiscal Year Ends	Systemwide Sales (By Fiscal Year, in Millions)		
				Current*	Last Full	Prior
1	1	Denny's	Dec. '91	$1,485.9	$1,480.2	$1,346.9
2	2	Big Boy	Dec. '91	1,141.5	1,087.9	1,030.0
3	3	Shoney's	Oct. '91	1,120.0	991.3	862.4
4	5	Perkins Family Restaurants	Dec. '91	508.7	471.0	423.0
5	4	Friendly's Restaurants	Dec. '91	503.8	525.5	558.8
6	6	International House of Pancakes	Dec. '91	404.4	385.1	356.6
7	7	Bob Evans Farms	Apr. '92	380.5	358.2	322.3
8	12	Cracker Barrel	Aug. '91	295.0	225.5	169.5
9	9	Bakers Square	Oct. '91	282.0	249.0	216.8
10	8	Waffle House	June '92	277.5	274.0	270.5
11	10	Marie Callender's	Dec. '91	258.8	246.5	225.1
12	11	Village Inn	Oct. '91	246.0	240.5	234.6
		TOTAL:		$6,904.1	$6,534.7	$6,016.5

*Projected

Source: NRN Research

FAMILY CHAINS RANKED BY SALES PER UNIT

1991 Rank	1990 Rank	Chain	Fiscal Year Ends	Sales Per Unit (By Fiscal Year, in Thousands)		
				Current*	Last Full	Prior
1	1	Cracker Barrel	Aug. '91	$2,920.0	$2,820.0	$2,520.0
2	2	Marie Callender's	Dec. '91	1,650.0	1,650.0	1,650.0
3	3	Bakers Square	Oct. '91	1,650.0	1,555.0	1,424.0
4	4	Shoney's	Oct. '91	1,560.0	1,538.0	1,451.0
5	5	Bob Evans Farms	Apr. '92	1,500.0	1,450.0	1,400.0
6	6	Perkins Family Restaurants	Dec. '91	1,253.0	1,247.0	1,237.0
7	7	Denny's	Dec. '91	1,200.0	1,200.0	1,100.0
8	8	Big Boy	Dec. '91	1,185.0	1,150.0	1,125.0
9	9	Village Inn	Oct. '91	1,160.0	1,093.0	1,054.0
10	10	International House of Pancakes	Dec. '91	840.0	801.0	754.0
11	11	Friendly's Restaurants	Dec. '91	650.0	640.0	665.0
12	12	Waffle House	June '92	398.6	391.4	394.9
		AVERAGE:		$1,330.6	$1,294.6	$1,231.2

*Projected

Source: NRN Research

FAMILY CHAINS RANKED BY NUMBER OF U.S. UNITS

1991 Rank	1990 Rank	Chain	Fiscal Year Ends	Year-end Number of Units		
				Current*	Last Full	Prior
1	1	Denny's	Dec. '91	1,295	1,294	1,274
2	2	Big Boy	Dec. '91	963	946	915
3	3	Friendly's Restaurants	Dec. '91	775	795	824
4	4	Shoney's	Oct. '91	760	720	680
5	5	Waffle House	June '92	700	700	685
6	6	International House of Pancakes	Dec. '91	491	490	480
7	7	Perkins Family Restaurants	Dec. '91	432	399	371
8	8	Bob Evans Farms	Apr. '92	275	255	241
9	9	Village Inn	Oct. '91	227	228	234
10	10	Bakers Square	Oct. '91	180	167	159
11	11	Marie Callender's	Dec. '91	162	161	156
12	12	Cracker Barrel	Aug. '91	106	88	73
		TOTAL:		6,366	6,243	6,092

*Projected

Source: NRN Research

FAMILY CHAINS RANKED BY TOP 100 MARKET SHARE

(share of aggregate sales of family chains in Top 100)

1991 Rank	1990 Rank	Chain	Fiscal Year Ends	Annual Market Share		
				Current*	Last Full	Prior
1	1	Denny's	Dec. '91	21.52%	22.65%	22.39%
2	2	Big Boy	Dec. '91	16.53	16.65	17.12
3	3	Shoney's	Oct. '91	16.22	15.17	14.33
4	5	Perkins Family Restaurants	Dec. '91	7.37	7.21	7.03
5	4	Friendly's Restaurants	Dec. '91	7.30	8.04	9.29
6	6	International House of Pancakes	Dec. '91	5.86	5.89	5.93
7	7	Bob Evans Farms	Apr. '92	5.51	5.48	5.36
8	12	Cracker Barrel	Aug. '91	4.27	3.45	2.82
9	9	Bakers Square	Oct. '91	4.08	3.81	3.60
10	8	Waffle House	June '92	4.02	4.19	4.50
11	10	Marie Callender's	Dec. '91	3.75	3.77	3.74
12	11	Village Inn	Oct. '91	3.56	3.68	3.90
		TOTAL:		100.00%	100.00%	100.00%

*Projected

Source: NRN Research

CAFETERIA CHAINS RANKED BY U.S. SYSTEMWIDE SALES

1991 Rank	1990 Rank	Chain	Fiscal Year Ends	Systemwide Sales (By Fiscal Year, in Millions)		
				Current*	Last Full	Prior
1	2	Luby's Cafeteria	Aug. '91	$ 330.0	$ 311.0	$ 283.3
2	1	Morrison's	May '92	326.9	311.3	312.3
3	3	Piccadilly	June '92	305.0	300.0	307.0
4	4	Furr's Cafeterias	Dec. '91	225.0	230.0	231.3
		TOTAL:		$1,186.9	$1,152.3	$1,133.9

*Projected
Source: NRN Research

CAFETERIA CHAINS RANKED BY SALES PER UNIT

1991 Rank	1990 Rank	Chain	Fiscal Year Ends	Sales Per Unit (By Fiscal Year, in Thousands)		
				Current*	Last Full	Prior
1	1	Luby's Cafeteria	Aug. '91	$2,300.0	$2,400.0	$2,400.0
2	2	Piccadilly	June '92	2,000.0	2,000.0	2,000.0
3	4	Morrison's	May '92	1,912.0	1,820.0	1,795.0
4	3	Furr's Cafeterias	Dec. '91	1,770.0	1,840.0	1,850.0
		AVERAGE:		$1,995.5	$2,015.0	$2,011.3

*Projected
Source: NRN Research

CAFETERIA CHAINS RANKED BY NUMBER OF U.S. UNITS

1991 Rank	1990 Rank	Chain	Fiscal Year Ends	Year-end Number of Units		
				Current*	Last Full	Prior
1	1	Morrison's	May '92	166	171	174
2	2	Piccadilly	June '92	160	152	147
3	3	Luby's Cafeteria	Aug. '91	150	137	124
4	4	Furr's Cafeterias	Dec. '91	125	125	125
		TOTAL:		603	585	570

*Projected
Source: NRN Research

CAFETERIA CHAINS RANKED BY TOP 100 MARKET SHARE

(share of aggregate sales of cafeteria chains in Top 100)

1991 Rank	1990 Rank	Chain	Fiscal Year Ends	Annual Market Share		
				Current*	Last Full	Prior
1	2	Luby's Cafeteria	Aug. '91	27.80%	26.99%	24.98%
2	1	Morrison's	May '92	27.54	27.02	27.54
3	3	Piccadilly	June '92	25.70	26.03	27.07
4	4	Furr's Cafeterias	Dec. '91	18.96	19.96	20.40
		TOTAL:		100.00%	100.00%	100.00%

*Projected
Source: NRN Research

Family chains beat recession blues with value, service

(Continued from page 100)

by buildings sales and improving operations and marketing.

Friendly's, which had 795 company-owned units at the end of 1990, is retrenching and plans to close 20 units by year-end.

Virtually all of the segment's chains continue to promote their all-day image as they struggle to overcome a lingering breakfast and coffee-shop identity. Dinner now comprises about 45 percent of sales at Bob Evans, according to Roger Williams, the chain's senior vice president of marketing, who adds, "There is still room for growth there."

Several chains that want to be known as dinner destinations are challenging some of the lower-end dinner houses and are especially seeking those dinner-house customers who are trading down.

However, "if restaurants are recognized for breakfast, there is a harder trade-off for dinner business," says Michael Mueller, Montgomery Securities analyst. Except for Cracker Barrel, which Mueller credits with long maintaining a solid dinner day part, most other family chains are struggling to woo dinner-house customers away from more contemporary places, such as Applebee's and Chili's.

The family segment continues to fare well when going against fast-food chains. "The fast food generation of baby boomers has grown up; this points to increased activity in family dining over fast food," Lipton notes.

With prices often just slightly higher than at fast-food restaurants, the family segment is touting service as its main advantage over fast feeders. Several chains, including Shoney's, Perkins and Bob Evans, are emphasizing better service to promote customer loyalty.

Bob Evans, for example, is giving managers more latitude to vary from past policy in order to increase customer satisfaction. "The managers are there to satisfy the customer," Williams notes. "We are allowing more freedom in the field."

Shoney's is striving for service that is faster, friendlier and more efficient than ever before, according to Sowell. To facilitate attainment of that goal, the company is using more units — both company-owned and franchised — as training stores.

Shoney's, Bakers Square and others use mystery shopper research to help improve service. "It builds better customer consciousness," says Tom Wirth, Bakers Square's marketing spokesman.

Perkins is instituting a policy of giving a free dessert or other item to any customer who voices any complaint about a Perkins' dining experience.

Regarding speed of service, the 10-minute guarantee for specific breakfast and lunch items that Denny's started nearly two years ago has strengthened Denny's position against the fast feeders.

Broader menu options work in this segment's favor when potential customers are choosing between a fast feeder and a family restaurant. Temporary menu-item promotions typically create new interest, as do permanent menu additions.

Shoney's periodic all-you-can-eat shrimp fests are one of its most successful dinner promotions. Denny's Grand Slam combination plates have become a chain trademark.

Marc's Big Boy, a Milwaukee-based franchisee, has introduced rotisserie-roasted chicken in an attempt to remold its image as "the family restaurant with the healthful-menu alternative," according to Wayne Jones, Marcus Restaurants' president. Other franchisees are free to add rotisserie chicken or other new products if they wish, he adds.

Several chains, including Shoney's and Perkins, are adding in-store bakeries. In five stores in Tennessee and South Carolina, Shoney's is testing a "Pie Shoppe," which supplements the dessert menu and offers whole pies to go.

Cafeterias struggle for traffic

Unlike full-service family restaurants, their cafeteria cousins are having trouble attracting maturing baby boomers. "Nobody has come up with the formula yet to fix that," Elliott observes.

"We're in a negative head count mode, but we have aspirations for the future," says Luby's Ralph Erben, chief executive officer, who expects to expand the number of units in his chain by 10 percent each year. "We are still in the grips of a very competitive marketplace and poor economic times."

The situation is similar at Piccadilly Cafeterias, also concentrated in the South. "Customer traffic and sales and profits were weak and down for the year, and that is no surprise," notes James Malmberg, the chain's president.

Based on improving customer counts and check averages, "the rate of decline has moderated and will turn back positive in fiscal 1992," he predicts. "We are doing a concentrated effort on our marketing program."

In states such as Louisiana, Texas and Oklahoma, Malmberg is seeing slight economic upturns, which he expects will benefit Piccadilly's.

Meanwhile, cafeterias are experimenting with other kinds of restaurants as possible growth vehicles. Picadilly's plans to open more Ralph & Kacoos seafood restaurants, and Furr's has opened a smoke-free salad bar concept called Zoo-kini's.

A Luby's worker in a Houston cafeteria dishes out food to a customer.

> “We're in a negative head count mode, but we have aspirations for the future. We are still in the grips of a very competitive marketplace and poor economic times.”
>
> — Luby's CEO Ralph Erben, who expects to expand the number of units in his chain by 10 percent each year.

DINNER-HOUSE CHAINS RANKED BY U.S. SYSTEMWIDE SALES

1991 Rank	1990 Rank	Chain	Fiscal Year Ends	Systemwide Sales (By Fiscal Year, In Millions) Current*	Last Full	Prior
1	1	Red Lobster	May '92	$1,520.0	$1,400.0	$1,340.0
2	2	Olive Garden	May '92	757.0	613.0	450.0
3	3	Chili's Grill & Bar	June '92	580.0	491.0	410.0
4	4	T.G.I. Friday's	Dec. '91	525.0	471.0	419.4
5	6	Chi-Chi's	Sept. '91	480.0	458.7	430.5
6	5	Bennigan's	June '92	472.1	459.2	471.0
7	7	Ground Round	Dec. '91	294.2	283.1	266.9
8	9	Applebee's Neighborhood Grill & Bar	Dec. '91	289.3	228.2	147.7
9	8	El Torito	Dec. '91	263.6	258.4	244.6
10	10	Stuart Anderson's Black Angus	Dec. '91	230.4	221.4	216.0
11	11	Steak and Ale	June '92	225.5	216.8	222.4
12	12	Ruby Tuesday	May '92	225.0	208.0	189.0
13	13	Tony Roma's—A Place for Ribs	Feb. '92	209.9	198.2	180.5
		TOTAL:		$6,072.0	$5,507.0	$4,988.0

*Projected
Source: NRN Research

DINNER-HOUSE CHAINS RANKED BY SALES PER UNIT

1991 Rank	1990 Rank	Chain	Fiscal Year Ends	Sales Per Unit (By Fiscal Year, In Thousands) Current*	Last Full	Prior
1	1	T.G.I. Friday's	Dec. '91	$3,500.0	$3,450.0	$3,300.0
2	2	Red Lobster	May '92	3,000.0	3,000.0	2,990.0
3	3	Olive Garden	May '92	2,884.0	2,800.0	2,700.0
4	4	Stuart Anderson's Black Angus	Dec. '91	2,679.0	2,635.0	2,571.0
5	5	Chi-Chi's	Sept. '91	2,270.0	2,400.0	2,517.0
6	6	El Torito	Dec. '91	2,269.0	2,246.0	2,178.0
7	7	Chili's Grill & Bar	June '92	2,260.0	2,200.0	2,120.0
8	8	Bennigan's	June '92	2,117.0	2,059.3	2,112.1
9	9	Ruby Tuesday	May '92	1,900.0	1,800.0	1,700.0
10	10	Tony Roma's—A Place for Ribs	Feb. '92	1,800.0	1,800.0	1,700.0
11	11	Applebee's Neighborhood Grill & Bar	Dec. '91	1,681.0	1,656.0	1,550.0
12	12	Ground Round	Dec. '91	1,500.0	1,465.0	1,400.0
13	13	Steak and Ale	June '92	1,427.2	1,372.3	1,407.5
		AVERAGE:		$2,252.9	$2,221.8	$2,172.7

*Projected
Source: NRN Research

Dinner houses thumb noses at recession

Buoyed by lifestyle, casual dining trends, dinner-house chains plot aggressive expansion plans, sharpen marketing assaults

by Alan Liddle

Positioned to benefit from changing dining trends, demographics and lifestyles, the dinner-house chains in Nation's Restaurant News' Top 100 for 1991 are expanding at an aggressive pace despite the economic recession.

However, growth in the total number of units among the 13 casual-theme chains is expected to slow from 11 percent last year to a projected 7.7 percent in the current year. But projections indicate that the group will post an average systemwide-sales growth rate of 10.3 percent this year, virtually even with its 10.4-percent pace in the last full fiscal year.

Fueling such sales and unit growth rates, which rank just behind those of pizza chains in the Top 100, are several marketing and merchandising tacks, including rollouts of value-oriented and seasonally inspired menu items; improvements of service and dining ambience; various food and beverage promotions.

At the same time, the very things that are driving up the chains' top lines — namely, expansion, demonstrations of "value," increased advertising and enhanced service — are squeezing the margins of many players. In response, some chains are diligently working to boost the sales of margin-fattening alcoholic beverages while seeking to avoid increased liabilities or harm to their images as responsible servers.

Among the promotional items and new value-oriented additions to regular menus are the $4.99 Mexican lunch buffet at Chi-Chi's, whose rollout was recently completed by the Louisville, Ky.-based chain. The Ruby Tuesday chain, too, launched $4.99 "Lunch Stop" specials, including a teriyaki chicken breast on a multigrain or sesame seed bun.

Ruby Tuesday, which is based in Mobile, Ala., also had reduced the price of its signature salad bar, when ordered with an entrée or sandwich, from $2.79 to $1.99.

Olive Garden, which this year repeated its "Carnival of Venice" menu promotion, is currently offering "Summer in the Garden" specials and is readying a full-scale menu promotion for the fall. One of the Summer in the Garden offerings is an $8.95 dish of pasta shells with chunks of grilled chicken breast sautéed in olive oil, spinach and garlic.

Taking its cue from quick-service innovator Taco Bell, which has made life miserable for sandwich-segment competitors with its "value" menu, dinner-house segment leader Red Lobster is testing a menu with 22 entrées under $10. The chain features just seven items under $10 on its regular menu.

"We're hoping Mom and Dad will pack the kids into the car and visit Red Lobster more frequently," says Dick Monroe, the public-relations vice president of the 500-plus unit Orlando, Fla.-based chain. "We also want to attract new customers who thought we were too pricy."

Red Lobster moved to enhance its "value" image earlier this year when it added garlic-cheese bread and a Caesar salad to its roster of complimentary side-dish options. The chain also upgraded its china, linen and uniforms.

"Healthful" foods, such as tuna-stuffed tomatoes and grilled, skinless chicken breast salads, continue to show up on dinner-house menus in growing numbers. Such lower-calorie, lower-fat, lower-cholesterol and lower-sodium dishes are gaining wider acceptance, and at least one chain has claimed that tests of those foods drove up sales.

"We currently have eight new 'Eat Light, Eat Healthy' items [in test]," Abe Gustin Jr., president of Applebee's Neighborhood Grill & Bar, remarked earlier this year. "We have a 6-percent-to-8-percent increase in comparable-store sales wherever we're selling those items."

Glenn Drasher, senior vice president of marketing for Chi-Chi's, says his chain's "Fresh & Light" selections — including grilled halibut with salsa, fruit and rice — don't claim "a big number" in terms of incremental sales. However, he adds, "it's a very consistent number."

The new dinner-house menus, promotions and pricing strategies appear to be convincing fine-dining patrons to trade down, while compelling the customers of quick-service, family and budget-steak restaurants to trade up to the casual-theme segment's perceived higher levels of service, fun and exotic foods.

"I would be bullish on the segment," Nancy Kruse, a principal with the Chicago-based research group Technomics Inc., notes in regard to dinner houses. "There is a trend toward the casualization of dining, and the dinner houses are positioned nicely to be a big beneficiary of that trend. Changing demographics and lifestyles," she adds, "also augur very well for the development of the category."

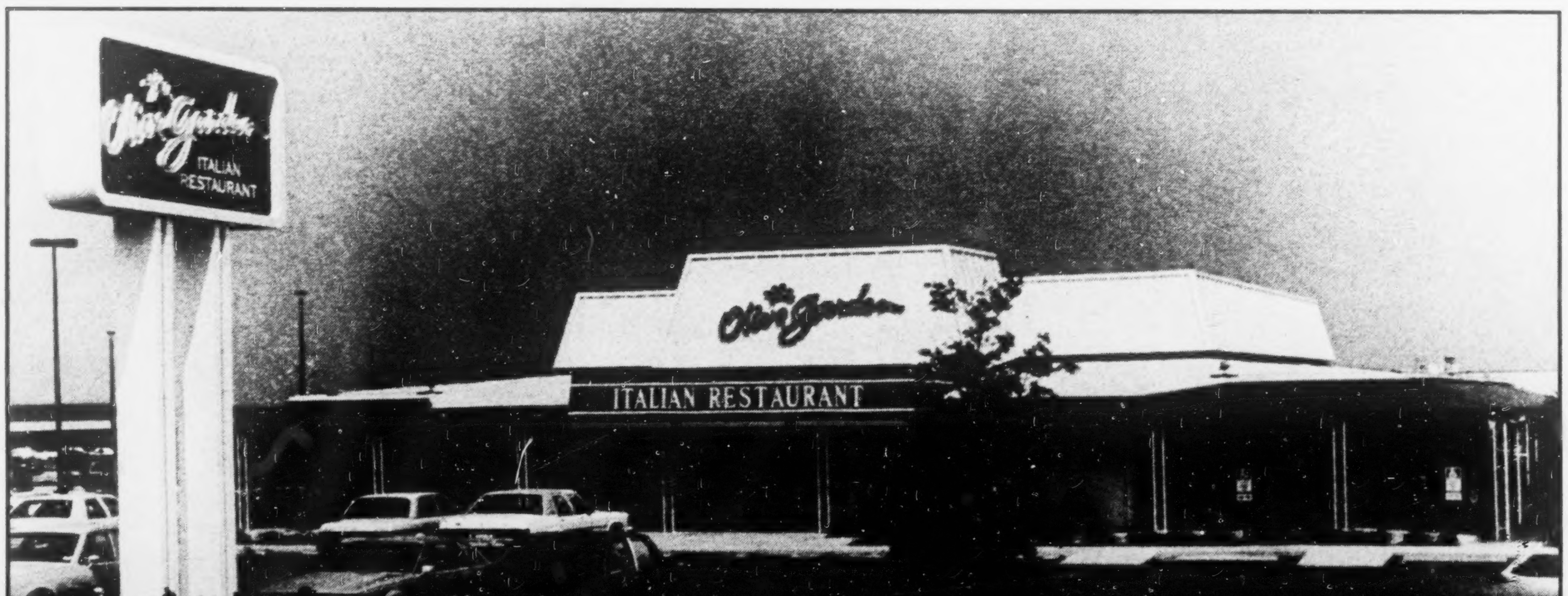
Studies indicate that as people get older, they are more likely to dine at a midscale, full-service restaurant and less likely to choose a quick-service establishment. Such a correlation was found in a National Restaurant Association-commissioned study by the NPD Crest group of Chicago.

While the tendency of an aging population to choose a midscale, full-service restaurant might be construed as a plus for family restaurants, which usually have a lower average ticket than do dinner houses, Kruse indicates that changing "lifestyle trends" put the category's leading chains in an enviable position.

"After coming through a time of real experimentation, in terms of the kinds of foods we are willing to try and the prices we are willing to pay, we [baby boomers] seem to have settled into a place where we say we want a variety of quality foods at reasonable prices in a comfortable environment," she explains. "Those expectations are met by casual dinner houses."

In fact, most, if not all, of the dinner-house chains in the Top 100, including Red Lobster, Olive Garden, Chili's Grill

*(See **DINNER HOUSES**, page 112)*



An Olive Garden dinner-house unit.

DINNER-HOUSE CHAINS RANKED BY NUMBER OF U.S. UNITS

1991 Rank	1990 Rank	Chain	Fiscal Year Ends	Year-end Number of Units Current*	Last Full	Prior
1	1	Red Lobster	May '92	520	502	460
2	2	Olive Garden	May '92	303	253	200
3	3	Chili's Grill & Bar	June '92	280	243	211
4	4	Chi-Chi's	Sept. '91	243	230	208
5	5	Bennigan's	June '92	223	223	223
6	6	Ground Round	Dec. '91	203	199	192
7	7	Applebee's Neighborhood Grill & Bar	Dec. '91	182	160	113
8	8	T.G.I. Friday's	Dec. '91	180	159	148
9	10	Ruby Tuesday	May '92	159	134	109
10	9	Steak and Ale	June '92	158	158	158
11	12	Tony Roma's—A Place for Ribs	Feb. '92	121	116	103
12	11	El Torito	Dec. '91	118	117	113
13	13	Stuart Anderson's Black Angus	Dec. '91	86	84	84
		TOTAL:		2,776	2,578	2,322

*Projected
Source: NRN Research

DINNER-HOUSE CHAINS RANKED BY TOP 100 MARKET SHARE

(share of aggregate sales of dinner-house chains in Top 100)

1991 Rank	1990 Rank	Chain	Fiscal Year Ends	Annual Market Share Current*	Last Full	Prior
1	1	Red Lobster	May '92	25.03%	25.42%	26.86%
2	2	Olive Garden	May '92	12.47	11.13	9.02
3	3	Chili's Grill & Bar	June '92	9.55	8.92	8.22
4	4	T.G.I. Friday's	Dec. '91	8.65	8.55	8.41
5	6	Chi-Chi's	Sept. '91	7.91	8.33	8.63
6	5	Bennigan's	June '92	7.78	8.34	9.44
7	7	Ground Round	Dec. '91	4.85	5.14	5.35
8	9	Applebee's Neighborhood Grill & Bar	Dec. '91	4.76	4.14	2.96
9	8	El Torito	Dec. '91	4.34	4.69	4.90
10	10	Stuart Anderson's Black Angus	Dec. '91	3.79	4.02	4.33
11	11	Steak and Ale	June '92	3.71	3.94	4.46
12	12	Ruby Tuesday	May '92	3.71	3.78	3.79
13	13	Tony Roma's—A Place for Ribs	Feb. '92	3.46	3.60	3.62
		TOTAL:		100.00%	100.00%	100.00%

*Projected
Source: NRN Research

Dinner-house chains thumb noses at recession

(Continued from page 108)

& Bar, Applebee's and T.G.I. Friday's, might best be described as "casual theme" restaurants.

The surf-'n'-turf, tablecloth roots of some of the more traditional dinner-house concepts operated by Top 100 companies — including Kyotaru Co.'s Charlie Brown's and Restaurant Enterprises Group's Reuben's — are easy to spot. But most of the Top 100 dinner-house chains are contemporary and decidedly casual, with average tickets more closely akin to the per-person averages at upscale family restaurants than to those at fine-dining establishments.

As a rule, the fastest-growing dinner-house chains in the Top 100, in terms of percentage growth in units and systemwide sales, are those with broad themes. Among them: Southwest-flavored Chili's; "neighborhood" specialist Applebee's; and T.G.I. Friday's, one of the first concepts to tout "foods for every mood."

The segment's growth leader, the Olive Garden Italian themer, is the obvious exception to the broad-based-is-better philosophy.

Part of Olive Garden's success relates to its lack of a national competitor and the absence of a large number of strong regional challengers — points not lost on Brinker International of Dallas, parent of Chili's Grill & Bar. The Brinker company has indicated it plans to expand its Romano's Macaroni Grill concept aggressively.

Two ethnic themers in the Top 100 seem to have more than enough competition from strong regional contenders and national chains in different niches.

Chi-Chi's — while ranking fifth among the Top 100 dinner-house chains in systemwide-sales growth and improving its Top 100 dinner-house-chain market share by leapfrogging Bennigan's to take the No. 5 spot — is nevertheless suffering through its second year of declining same-store sales. Average-unit sales for the Mexican chain were $2.52 million in fiscal 1989 but are now hovering at about $2.27 million, company officials report.

Projections indicate that El Torito, the principal national rival of Chi-Chi's, will see systemwide sales growth of just 2 percent in the current year, or less than half of the 5.6-percent gain it realized last year. El Torito is expected to add one restaurant this year, bringing its total to 118.

Red Lobster, although its momentum is slowing, continues to dominate the dinner-house category.

Projections indicate that Red Lobster will add 18 more restaurants for a total of 520 in the current fiscal year ended in May 1992, and that it will increase its systemwide sales by 8.6 percent, to $1.52 billion. With the exception of its younger sibling, The Olive Garden, Red Lobster operates nearly twice as many restaurants and generates nearly three times the systemwide sales of its nearest rival, Chili's.

As it did last year when it added 53 restaurants, Olive Garden, which plans to develop 50 units this year, again leads the dinner-house pack in expansion. If projections hold, the chain will number 303 units and report systemwide sales of about $757 million by the end of its fiscal year.

Olive Garden has relied heavily on conversions to win the battle to establish the first national Italian dinner-house chain.

"To build a restaurant can be a very time-consuming process," notes Ron Magruder, the chain's chief executive. "It can be three years from when you start to when you open. The ability to [convert] a restaurant into another restaurant may cut that time in half."

Besides being faster than new construction in many cases, conversions can also cut down on development costs, though that is not always true. Though most dinner-house chains have converted existing restaurants, few have matched Olive Garden's reliance on conversions.

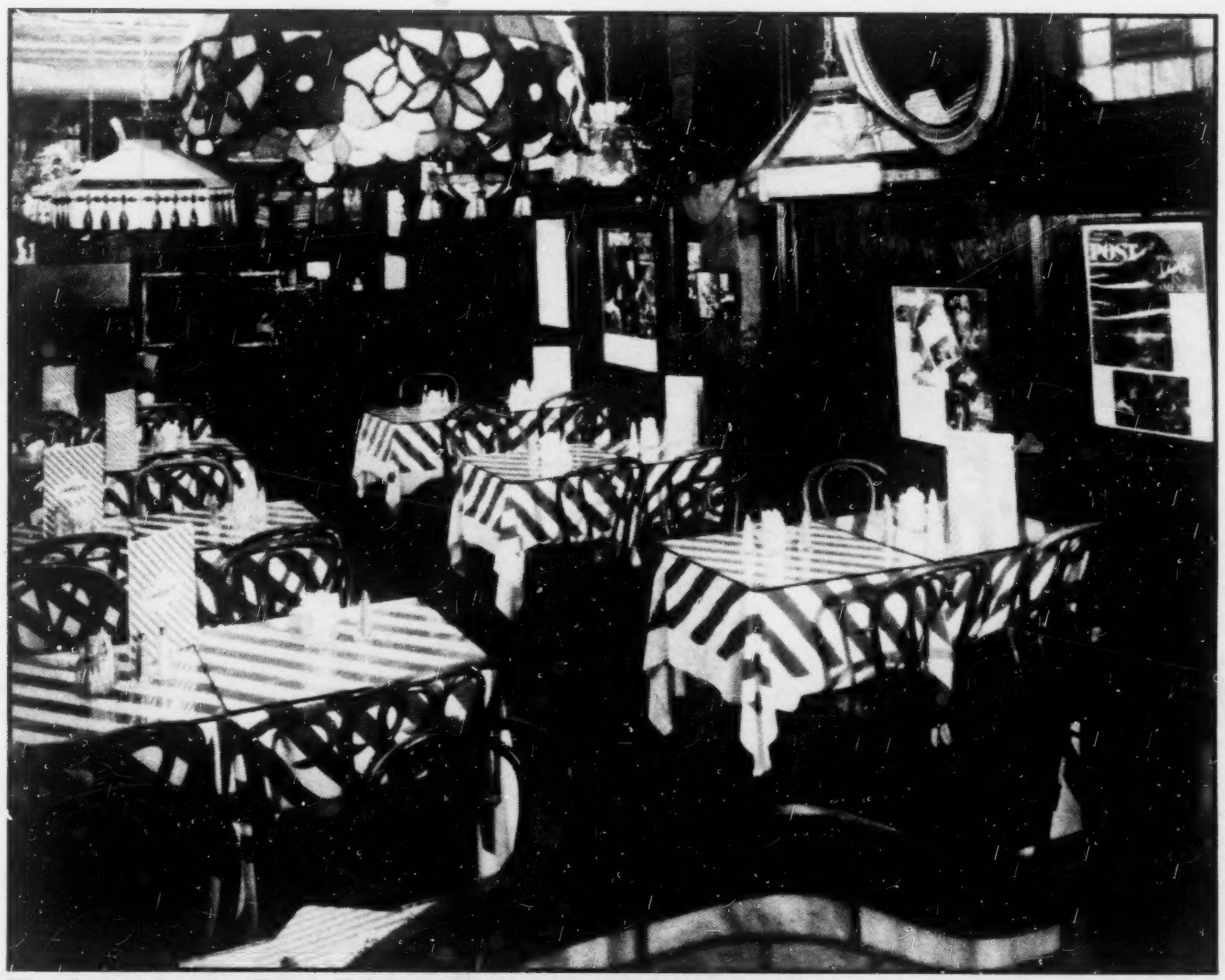
In its initial years of expansion, Olive Garden used conversions to develop 70 percent of the restaurants it opened. Recent reports indicate that conversions now represent about 40 percent of the mix.

Projections based on strong performances during the past two fiscal years indicate that Ruby Tuesday, Chili's, Applebee's and T.G.I. Friday's should grow by double-digit percentages in the current year.

Driven by the pressures on margins resulting from the "value" promotions and outright discounting needed to attract customers in recessionary times, some dinner-house chains have increased their merchandising of alcoholic beverages.

El Torito's "Fiesta Zone" happy hour-merchandising campaign, featuring free snacks, discounted food and margaritas, and focused merchandising of cocktails, has helped reverse its six-year decline in beverage sales, chain officials say.

The Irvine, Calif., chain generated 46 percent of its total sales from beverages in 1984 but saw that enviable level slip an average of 2 points each year since then. Company officials indicate that the Fiesta Zone strategy could bump beverage sales by a full percentage point to 35 percent of total sales by the end of this year.



The interior of a T.G.I. Friday's restaurant in New York.

Projections based on their strong performances during the past two fiscal years indicate that Ruby Tuesday's, Chili's, Applebee's and T.G.I. Friday's should grow by double-digit percentages in the current year.

Offering insight into what halting the decline in beverage sales means to his chain and its margins, El Torito chief executive Martin "Mike" Casey remarks, "We figure that for every $1 in bar sales we lose we need $2.25 in food [sales] to get the same contribution to fixed costs, and that's including factoring in the labor element."

Chi-Chi's officials say they, too, have been able to stop a two-year drop in beverage sales by increasing the merchandising of margaritas. If sales trends continue for the full year, they believe, the chain's beverage sales could rise by about 1 percent, to approximately 30 percent of total volume.

"We want to be responsible with it, and we're not trying to be overbearing in our merchandising," Chi-Chi's Drasher says of the chain's use of mobiles, place mats and large cutouts of margaritas to merchandise the specialty drinks. "At the same time we want to let people know that Chi-Chi's is a fun place, and margaritas are a part of it."

"We have rolled out a specialty-drink menu for the summer, featuring a number of frozen drinks in souvenir glasses, cordials and liqueurs," points out Ron McConnell, regional director of marketing for Ruby Tuesday's. "We don't want to be considered a watering hole, but we do have full-service bars in all of our restaurants. And while people are drinking less [these days], they do enjoy these kinds of drinks."

Gains in beverage sales, such as those reported by El Torito and Chi-Chi's, are even more impressive, given this year's hike in federal taxes on beer, wine and spirits.

*(See **DINNER HOUSE**, page 140)*

HOTEL CHAINS RANKED BY FOODSERVICE SALES PER HOTEL

1991 Rank	1990 Rank	Chain	Fiscal Year Ends	Foodservice Sales Per Hotel (By Fiscal Year, in Thousands)		
				Current*	Last Full	Prior
1	1	Westin Hotels	Dec. '91	$9,100.0	$8,740.0	$8,400.0
2	2	Sheraton Hotels	Dec. '91	4,029.0	3,842.0	3,423.0
3	3	Hilton Hotels	Dec. '91	3,873.0	3,689.0	3,530.0
4	4	Hyatt Hotels	Jan. '92	3,812.0	3,673.0	3,504.0
5	5	Marriott Hotels & Resorts	Dec. '91	3,631.0	3,526.0	3,351.0
6	6	Radisson Hotels	Dec. '91	2,350.0	2,270.0	2,000.0
7	7	Ramada Inn	Dec. '91	690.6	682.7	660.8
8	8	Holiday Inns	Dec. '91	377.6	363.7	346.4
		AVERAGE:		$3,482.9	$3,348.3	$3,151.9

*Projected
Source: NRN Research

HOTEL CHAINS RANKED BY FOODSERVICE SALES PER HOTEL

1991 Rank	1990 Rank	Chain	Fiscal Year Ends	Foodservice Sales Per Hotel (By Fiscal Year, in Thousands)		
				Current*	Last Full	Prior
1	1	Westin Hotels	Dec. '91	$9,100.0	$8,740.0	$8,400.0
2	2	Sheraton Hotels	Dec. '91	4,029.0	3,842.0	3,423.0
3	3	Hilton Hotels	Dec. '91	3,873.0	3,689.0	3,530.0
4	4	Hyatt Hotels	Jan. '92	3,812.0	3,673.0	3,504.0
5	5	Marriott Hotels & Resorts	Dec. '91	3,631.0	3,526.0	3,351.0
6	6	Radisson Hotels	Dec. '91	2,350.0	2,270.0	2,000.0
7	7	Ramada Inn	Dec. '91	690.6	682.7	660.8
8	8	Holiday Inns	Dec. '91	377.6	363.7	346.4
		AVERAGE:		$3,482.9	$3,348.3	$3,151.9

*Projected
Source: NRN Research

Hotels slash spending to beat traffic slump

Janos Kiss

(Continued from page 1)

food and beverage operations for Marriott Corp. "People are looking for better value. Hotel restaurants have this stereotyped image of not offering very good price-value.

"These are definitely challenging times."

"The old approaches to hotel foodservice just don't work anymore. They just don't," Clawson says. "Today you've got to be very creative."

But "owners are so squeezed that they don't have enough cash to fund radical change," Patterson comments. "The cash available for 'reconcepting' a restaurant is bound to be pinched."

Operators also express concerns about reacting too impulsively in an environment that can be difficult to read.

"We used to sit down and make strategy decisions with an emphasis on what our gut feeling told us to do," Marriott's Hulbert explains. "We realized that we're not as smart as we thought we were. Customers are very fickle. So today we're investing the time and the money to verify what customers want."

With less money coming into hotel food and beverage departments, many lodging chains are striving to preserve profits — or at least cut their losses — by diligently policing what they spend.

"Our two biggest enemies are food and labor costs," notes Janos Kiss, executive chef and assistant vice president of food and beverage for Hyatt Hotels. "You can't raise prices; you just can't. So you have to look at cutting costs."

In Hyatt's instance corporate foodservice executives took to the road to hone the skills of the chain's food and beverage personnel.

Chefs and cooks were shown how to prepare fine-dining entrées with items that purchasing agents might have dismissed a few years ago as being too mundane for luxury restaurants.

"We look at swordfish and lobster and see how expensive they are — partly because we've bid up the price," Kiss explains. "So now we say that you also have to look at things like Dover sole or even cod.

"With things like that, you have to be a little smarter in the way you cook; it has to be done right. But that way you can hold down the cost of a dish and pass along a lower price to the customer."

The approach can also improve profit margins, he notes.

Customers have encouraged that emphasis on lower-cost ingredients, Kiss says.

"At a Hyatt Regency they had 3,000 people booked for a banquet, and they wanted stuffed pork chops," he explains. "Two or three years ago, you never could have served something like that; it wasn't upscale enough. But this was what they wanted."

Increasingly, he points out, banquet customers are stating upfront what they want to spend and then asking how much they can get for that amount, instead of choosing a menu and then asking the cost.

"We're seeing customers who are a lot more astute than they were a few years ago," remarks Marriott's Hulbert. "They know wines, and they know beverages and what to expect."

Hyatt is also attempting to bridle food costs by cutting waste. For instance, Kiss explains, when a lamb carcass is cut to yield a rack of lamb, the kitchen staff finds a use for the trimmings.

"Maybe we do a lamb appetizer that night," he says. "We don't waste the meat."

At the same time the company is carefully monitoring the deployment of its personnel.

"It does not make sense to have a $40,000-a-year chef peeling potatoes and putting them in a kettle," Kiss comments. "We tell the chef, 'Buy the potatoes already peeled so you can spend your time on something more important.'"

Similarly, "We're trying to make sure that we make the best use of our labor in food preparation," says Marriott's Hulbert. "We would like to keep our menus smaller so that we have fewer items to concentrate on."

With that approach, "we can offer specialties on a daily basis to offer fresher ingredients and better price-value," he says.

He explains that properties are encouraged to buy local ingredients at the height of their season, when the supplies offer the dual advantages of being fresh and lower in price.

Many Radisson properties have lowered their food costs by four or five percentage points because the chain has entered into national purchasing contracts, according to food-and-beverage director Clawson.

"We have contracted for our anticipated annual use of products," he says.

*(See **HOTELS**, page 120)*

> "Our two biggest enemies are food and labor costs. You can't raise prices, you just can't. So you have to look at cutting costs."
>
> — Janos Kiss, Hyatt Hotels' exec chef and assistant vice president of F&B

HOTEL CHAINS RANKED BY NUMBER OF U.S. HOTELS

1991 Rank	1990 Rank	Chain	Fiscal Year Ends	Year-end Number of Units Current*	Last Full	Prior
1	1	Holiday Inns	Dec. '91	1,578	1,578	1,582
2	2	Ramada Inn	Dec. '91	600	508	498
3	3	Marriott Hotels & Resorts	Dec. '91	404	380	330
4	4	Sheraton Hotels	Dec. '91	290	281	264
5	5	Hilton Hotels	Dec. '91	268	259	251
6	6	Radisson Hotels	Dec. '91	170	154	142
7	7	Hyatt Hotels	Jan. '92	106	108	101
8	8	Westin Hotels	Dec. '91	34	33	34
		TOTAL:		3,450	3,301	3,202

*Projected

Source: NRN Research

HOTEL CHAINS RANKED BY TOP 100 MARKET SHARE

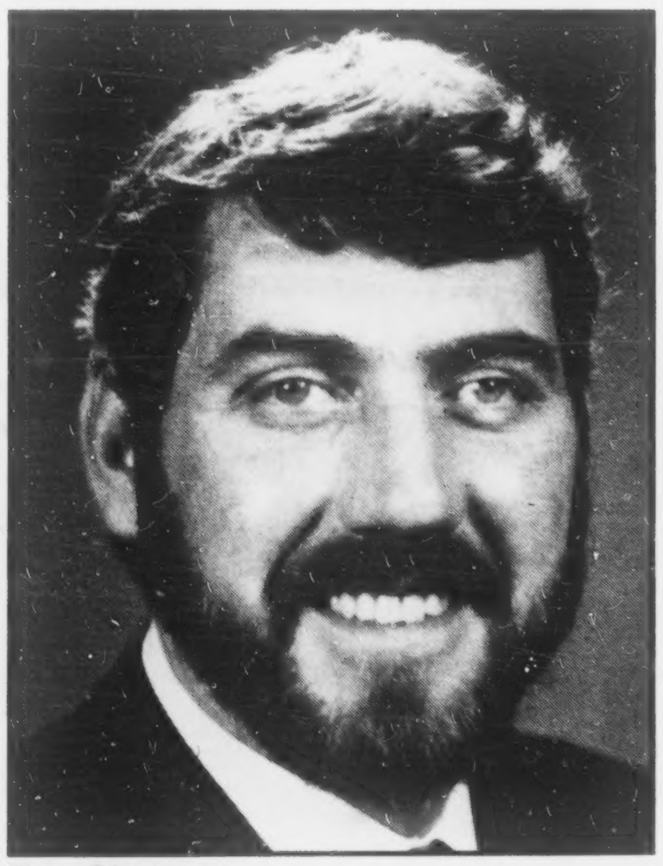
(share of aggregate sales of hotel chains in Top 100)

1991 Rank	1990 Rank	Chain	Fiscal Year Ends	Year-end Number of Units Current*	Last Full	Prior
1	1	Marriott Hotels & Resorts	Dec. '91	23.26%	23.68%	23.83%
2	2	Sheraton Hotels	Dec. '91	20.48	20.37	19.47
3	3	Hilton Hotels	Dec. '91	18.46	18.32	18.13
4	4	Holiday Inns	Dec. '91	10.76	11.18	11.80
5	5	Hyatt Hotels	Jan. '92	7.38	7.44	7.55
6	6	Radisson Hotels	Dec. '91	7.24	6.82	5.99
7	7	Ramada Inn	Dec. '91	6.91	6.53	7.07
8	8	Westin Hotels	Dec. '91	5.51	5.67	6.15
		TOTAL:		100.00%	100.00%	100.00%

*Projected

Source: NRN Research

Hotels slash spending to beat traffic slump



Don Clawson

(Continued from page 116)

The company plans to realize significant additional savings by purchasing *sous-vide* foods — specialties that have been cooked in a vacuum-sealed bag and then chilled or frozen. Edibles preserved that way can be used days or even weeks after being cooked without an appreciable loss of flavor or freshness, according to advocates of the process.

By using the prepared items, Radisson hopes to reduce labor costs. A kitchen staffer prepares a *sous vide* meal simply by reheating the contents of the pouch, usually in boiling water.

In addition, food waste is reduced because the food is apportioned before being sealed in the pouch. "You don't have one steak this thick and the next one this big," Clawson points out.

"There are several things we're doing to increase our profitability, and *sous vide* is a key element," he adds.

Looking longer term, many of the lodging powerhouses are trying to ratchet down their food and labor costs by developing new hotel restaurant concepts.

Hyatt, for instance, is outfitting hotels with combination Italian-Oriental dining rooms called either Ciao Mein or Chow Bella.

"We use an Italian menu on one side and an Oriental menu on the other," executive chef Kiss explains. "The Italian menu is very basic. The Oriental menu has more things than just Chinese food."

A changeover to the new concept is not expensive, Kiss explains. "We change the menus and the uniforms, but we don't have to make major design changes."

> Hyatt is outfitting hotels with combination Italian-Oriental dining rooms.

One advantage is a lower food cost than the one generated by the chain's more upscale signature restaurants.

"Look at Italian food. It's not very expensive," Kiss says. "Look at Oriental food. It's not very expensive."

Yet "the check average is staying the same because people are ordering more," he says. "Four people will order five entrées. Or they'll order more appetizers. And people like it because they get more for their money."

At Radisson, "we're developing three new concepts," Clawson notes. "One is a pure health and nutrition concept, one is a health and nutrition concept delivered via *sous vide* and one is an American bistro that uses *sous vide*."

The chain's new healthful dishes were developed in cooperation with the Culinary Institute of America, the renowned school in Hyde Park, N.Y.

"We set up a data base with them to analyze the nutritional value of recipes in 17 ways," Clawson explains. "You can change one ingredient in the recipe, and the program will actually adjust the rest of the recipe."

When the new healthful items were added at the restaurant in the Radisson hotel in St. Paul, Minn., "we had a 17-percent gain in covers because of the program," Clawson says.

At Marriott, "we're fairly along in the development of a new concept," Hulbert states. He declined to divulge details but commented that "the key is to give our restaurants more of a personality.

"Our restaurants need to be more interactive, more informal and casual," he says.

Hulbert adds that future Marriott hotels probably "will have fewer foodservice outlets, but the outlets will be more elaborate."

He anticipates an abatement this summer of the sales slowdown that hurt hotel foodservice operations during the first part of 1991.

"People are starting to travel again," he points out. "Banquet and catering inquiries have increased by about 20 percent. We're seeing a lot of short-term bookings. People are apparently figuring that the worst is over, and they're starting to spend again for parties."

Coopers & Lybrands' Patterson agrees that hotel foodservice executives have put the worst times behind them.

"It's been about as dire as it's going to get," he says. "Things won't get any worse."

But he is less than sanguine in his near-term projections. "As we get into the summer, we're going to see some recovery — but only to the levels of a year ago. We're going to see several years of gradual improvement and probably in 1994 the beginning of a significant improvement."

> When the new healthful items were added at the restaurant in the St. Paul, Minn., Radisson hotel, "we had a 17-percent gain in covers because of the program."
>
> — Don Clawson,
> vie president of F&B
> for Radisson Hotels.

Chicken chains leap out of the frying pan

Operators appeal to health-conscious consumers with broiled, grilled and skinless chicken items while diversifying menus with non-chicken products

by Peter O. Keegan

As nutrition-conscious consumers look for value, new tastes and alternatives to fried chicken, the top hen houses in the segment are busy rolling out non-fried products and expanding their menu bases to tap the public's "healthy" perception of the almighty bird.

Aiming to lure new customers while enticing current patrons to increase their frequency, chains are rolling new products like oven-roasted chicken, pasta, seafood, chicken sandwiches, tacos, burritos and breakfast items.

"The majors are getting away from the image of purely fried chicken," says Ron Paul, president of Technomic Inc., a Chicago-based consulting firm. "They don't have to be healthy; they just have to appear healthier." Paul says skinless is a trendy product area, and chains are also exploring higher spicing levels and delivery.

CHICKEN CHAINS RANKED BY U.S. SYSTEMWIDE SALES

1991 Rank	1990 Rank	Chain	Fiscal Year Ends	Systemwide Sales (By Fiscal Year, in Millions) Current*	Last Full	Prior
1	1	KFC	Dec. '91	$3,450.0	$3,200.0	$3,000.0
2	2	Popeye's Chicken	Oct. '91	536.0	520.0	510.0
3	3	Church's Fried Chicken	Oct. '91	439.0	461.0	466.0
4	4	Chick-fil-A	Dec. '91	334.0	293.7	263.8
		TOTAL:		$4,759.0	$4,474.7	$4,239.8

*Projected

Source: NRN Research

Fried chicken may never become obsolete, but chains that got their start selling the All-American favorite are moving away from its down-home image and jumping on new items and tastes to capitalize on its popularity and versatility.

According to Re-Count, a Chicago-based restaurant consulting group, the number of chicken-chain units actually fell 2 percent this year, to 10,149, partly owing to closings of Church's, KFC and Grandy's units.

But up-and-coming and revitalized chains are beginning to step up the competition, with chains like Cajun Joe's, Boston Chicken, Pudgie's, Sisters, Koo Koo Roo and Golden Fried Chicken vying to take market share away from the big birds.

Pressure from the young chains, compounded by discounting and competition from the sandwich chains, is forcing chicken operators to take a hard look at the future as they devise new strategies.

"If they move away from fried products, then they must do something to move the spice profile up," Paul continues. "Sauces and spicing will become more important, as will variety." He adds that the segment could benefit from more delivery, since chicken holds well and whole families with varying tastes can be accommodated because of increased menu diversity.

Competition is coming from outside, as well as inside, the segment. Taco Bell recently introduced chicken-based products, and Hardee's has become a chicken source, introducing Roy Rogers-brand chicken to 4,700 Hardee's units.

McDonald's recently rolled out a chicken fajitas item and began testing broiled, skinless, bone-in chicken.

In addition, most of the nation's burger and sandwich chains serve various chicken sandwiches.

Conventional wisdom holds that chicken is healthful, but frying is not. That was the reasoning behind Kentucky Fried Chicken's shortening of its name to KFC, a move that may broaden the chain's consumer appeal. Yet the bulk of KFC's products are still fried.

However, KFC is busy refining Monterey Broil, its broiled bone-in chicken product, and the Monterey Broil sandwich. The introduction of Skinfree Crispy has boosted KFC units' sales 5 percent to 8 percent, but franchisees are looking to switch to a non-frozen product to decrease overhead.

KFC is studying new modes of distribution, such as "all-in-one" units that merge its format with those of sister chains Taco Bell and Pizza Hut. Pepsico's chicken concept is also examining portable buildings, catering and delivery.

In addition to attracting new customers with Skinfree Crispy, Honey BBQ wings and the Variety Bucket promotion, KFC is testing a line of sandwiches, the Colonel's Country breakfast and a value-pricing promotion, which prices pieces at 59 cents and 69 cents.

Meanwhile, the turmoil continues at Popeyes and Church's, which was forced to seek Chapter 11 bankruptcy protection after owner Al Copeland was unable to pay off loans from the buyout of Church's. Many other chicken chains voiced appreciation for the "breather" from the competition, especially from Church's, as discounting wars heat up in Texas and other parts of the South.

Popeyes, too, has introduced skinless chicken, as well as fruit salad, and has been increasing its rollout of fish items, such as fried shrimp. The chain has also been promoting its double-lane drive-thru, which debuted at this year's National Restaurant Association Show.

With the end of a 120-day Chapter 11 grace period fast approaching, the battle between Copeland and Merrill Lynch — an investment bank that may eventually take control of Al Copeland Enterprises — may soon be over. In any event, sources close to the situation say Popeyes and Church's will eventually be split up.

Meanwhile, chicken chains outside the Top 100 are spreading their wings and seeking roosts among the segment's big birds.

Brown's Chicken of Lombard, Ill., is totally revamping its focus and has changed its name to Brown's Chicken & Pasta. "We wanted to be multifaceted," remarks James Rohr, the chain's advertising director. "And we see a tremendous opportunity in the growth in pasta and Italian foods."

Kentucky Fried Chicken
EXPRESS
EXPRESS
CHICKEN SANDWICH
KFC
ZINGER
KFC

KFC is one of many chains that have rolled new, more healthful menu items.

Brown's serves four kinds of pasta and will be testing new varieties as specials in the fall — when the concept revision is complete. Was it tough to convert to a format based half on chicken and half on pasta? "Not really," Rohr explains. "We found out that in addition to the chicken cooker boiling oil, it can boil water, too, for the pasta."

Grandy's, the 184-unit operation out of Lewisville, Texas, boasts one of the highest per-store sales averages in the segment, with the typical Grandy's annually grossing more than $950,000. The chain's newest product is chicken-fried chicken, which is similar to country-fried steak, one of the chain's most popular offerings.

"Grilled chicken is one of our goals for the future," points out Jami Palla, a spokesman for the chain, adding that its Southwestern-style grilled chicken has boosted sales an average of 8 percent since its introduction. The dish is a boneless, grilled, marinated breast with a spicy Southwestern marinade, served over seasoned rice. "There has been very little resistance to the spiciness," Palla notes.

Approximately one year after his investment group bought the ailing Bojangles' chain from Horn & Hardart, president Dick Campbell says the chain is rebounding. "At the 28 company-owned restaurants, we are over the $1 million mark in per-store sales," he notes. "But there are a lot of facility issues that still have to be tackled."

On the new-product front, Bojangles' has introduced a line of seven biscuit breakfast sandwiches, all priced at 98 cents. Campbell says the chain, which changed to a totally skinless product in the spring, is testing a roasted chicken item and a pork barbecue sandwich.

The chain recently introduced the "Ragin' Cajun," a blackened grilled fillet breast sandwich that has boosted sales. Yet Campbell is careful not to overdo it. "New products complicate operations to a point, [so] we are going back to basics and staying committed to offering value."

At Lee's Famous, a division of Shoney's Inc., the management intends to boost sales through a stronger catering service. "It's an additional source of revenue, and we'll be concentrating on it in the future," says spokesman Tom Wilson. "We're looking to increase awareness of the product through marketing and advertising," he says, naming churches, civic groups, summer picnics and family reunions as the chain's principal targets.

Conventional wisdom holds that chicken is healthful, but frying is not. That was the reasoning behind Kentucky Fried Chicken's shortening of its name to KFC, a move that may broaden the chain's consumer appeal.

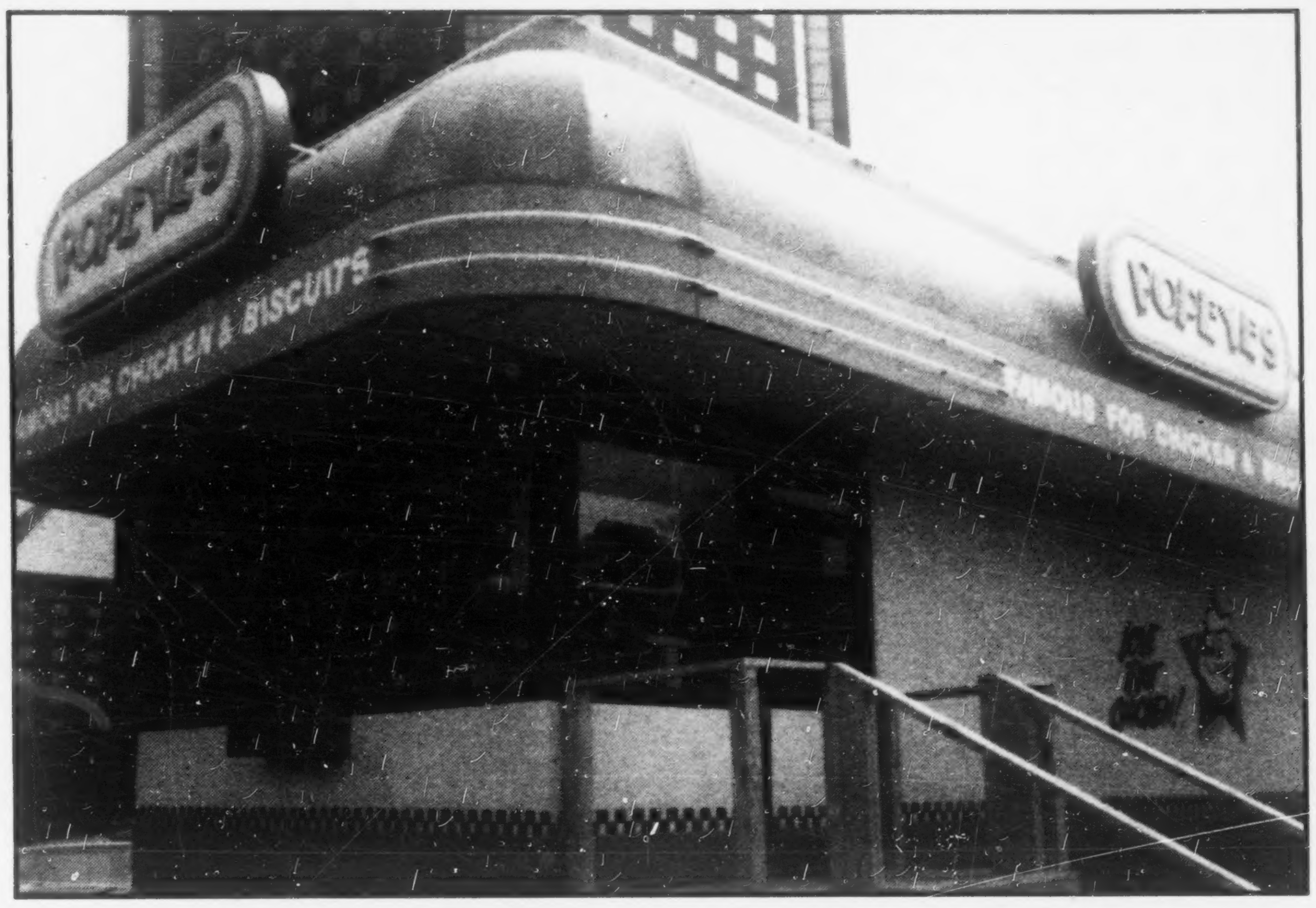
(See CHICKEN, page 128)

CHICKEN CHAINS RANKED BY SALES PER UNIT

1991 Rank	1990 Rank	Chain	Fiscal Year Ends	Sales Per Unit (By Fiscal Year, In Thousands) Current*	Last Full	Prior
1	1	KFC	Dec. '91	$750.9	$729.0	$689.0
2	2	Popeye's Chicken	Oct. '91	720.0	714.7	710.0
3	3	Chick-fil-A	Dec. '91	710.0	681.0	661.0
4	4	Church's Fried Chicken	Oct. '91	425.0	420.0	415.0
		AVERAGE:		$651.5	$636.2	$618.8

*Projected

Source: NRN Research



Above: El Pollo Loco is reaching out to the customer with home-delivery service. Right: Despite its financial woes, Popeyes has found favorable results with double-drive-thru units and the rollout of new menu selections.

Chicken chains leap out of the frying pan, into the grill

(Continued from page 124)

Mrs. Winner's has jumped on the skin-free bandwagon by going totally skinless, like Bojangles'. In addition, Mrs. Winner's has introduced a line of grilled chicken breast sandwiches, including a barbecued version, a grilled chicken club and a "deluxe" grilled item with lettuce and tomato.

"From 'light' menus to lean cuisine, [grilling] is almost as expected as seat belts nowadays," explains John Gray, marketing vice president for Mrs. Winner's. He adds that the company is testing an oven-roasted, bone-in product that is seasoned with a special "dry rub" and sold as quarter or half-birds, not in pieces.

New points of distribution are another way to boost the evening day part for chicken chains as many continue to test delivery.

An El Pollo Loco franchisee in Las Vegas has been offering delivery for more than a year, and the service now contributes as much as 35 percent of the restaurant's total sales. El Pollo Loco, which is a subsidiary of TW Services, recently rolled out a $1.89 burrito and a 99-cent soft taco — each containing the concept's signature flame-broiled chicken — in the chain's first offering of typical Mexican items.

El Pollo Loco said its declines in per-store sales were a result of increased competition, unprecedented levels of discounting and the opening of new units in less developed markets.

Chick-fil-A, still capitalizing on its image as a health-oriented chicken concept, is continuing an expansion push from its base in malls to freestanding sites, of which 23 had been erected by the end of last year. The 465-unit chain, whose main fare is boneless chicken breast sandwiches, last year expanded its menu by launching a char-grilled version of the product as well as freshly squeezed diet lemonade and a New York-style cheesecake.

> An El Pollo Loco franchisee in Las Vegas has been offering delivery for more than a year and the service now contributes as much as 35 percent of total sales.

CHICKEN CHAINS RANKED BY NUMBER OF U.S. UNITS

1991 Rank	1990 Rank	Chain	Fiscal Year Ends	Year-end Number of Units Current*	Last Full	Prior
1	1	KFC	Dec. '91	5,010	5,006	4,937
2	2	Church's Fried Chicken	Oct. '91	1,042	1,059	1,111
3	3	Popeye's Chicken	Oct. '91	805	778	739
4	4	Chick-fil-A	Dec. '91	465	441	411
		TOTAL:		7,322	7,284	7,198

*Projected

Source: NRN Research

CHICKEN CHAINS RANKED BY TOP 100 MARKET SHARE

(share of aggregate sales of chicken chains in Top 100)

1991 Rank	1990 Rank	Chain	Fiscal Year Ends	Annual Market Share Current*	Last Full	Prior
1	1	KFC	Dec. '91	72.49%	71.51%	70.76%
2	2	Popeye's Chicken	Oct. '91	11.26	11.62	12.03
3	3	Church's Fried Chicken	Oct. '91	9.22	10.30	10.99
4	4	Chick-fil-A	Dec. '91	7.02	6.56	6.22
		TOTAL:		100.00%	100.00%	100.00%

*Projected

Source: NRN Research

STEAK CHAINS RANKED BY U.S. SYSTEMWIDE SALES

1991 Rank	1990 Rank	Chain	Fiscal Year Ends	Systemwide Sales (By Fiscal Year, in Millions) Current*	Last Full	Prior
1	1	Sizzler	Apr. '92	$ 920.8	$ 893.0	$ 861.0
2	2	Ponderosa	Feb. '92	771.1	736.3	694.2
3	4	Golden Corral	Dec. '91	454.7	438.6	464.8
4	3	Bonanza	Feb. '92	451.3	471.8	479.4
5	5	Western Sizzlin'	Dec. '91	402.5	422.8	472.1
6	6	Ryan's Family Steak House	Dec. '91	380.0	343.0	295.0
7	7	Quincy's	Dec. '91	289.0	281.5	263.3
		TOTAL:		$3,669.4	$3,587.0	$3,529.8

*Projected

Source: NRN Research

STEAK CHAINS RANKED BY SALES PER UNIT

1991 Rank	1990 Rank	Chain	Fiscal Year Ends	Sales Per Unit (By Fiscal Year, in Thousands) Current*	Last Full	Prior
1	1	Ryan's Family Steak House	Dec. '91	$2,300.0	$2,300.0	$2,270.0
2	2	Sizzler	Apr. '92	1,600.0	1,600.0	1,600.0
3	3	Quincy's	Dec. '91	1,300.0	1,300.0	1,200.0
4	6	Golden Corral	Dec. '91	1,052.0	947.0	943.0
5	4	Ponderosa	Feb. '92	995.0	995.0	986.1
6	5	Western Sizzlin'	Dec. '91	970.0	950.0	918.5
7	7	Bonanza	Feb. '92	950.0	940.0	940.0
		AVERAGE:		$1,309.6	$1,290.3	$1,265.4

*Projected

Source: NRN Research

STEAK CHAINS RANKED BY NUMBER OF U.S. UNITS

1991 Rank	1990 Rank	Chain	Fiscal Year Ends	Year-end Number of Units Current*	Last Full	Prior
1	1	Ponderosa	Feb. '92	775	740	704
2	2	Sizzler	Apr. '92	648	631	628
3	3	Bonanza	Feb. '92	475	502	510
4	4	Golden Corral	Dec. '91	450	445	501
5	5	Western Sizzlin'	Dec. '91	415	445	514
6	6	Quincy's	Dec. '91	219	212	213
7	7	Ryan's Family Steak House	Dec. '91	175	159	141
		TOTAL:		3,157	3,134	3,211

*Projected

Source: NRN Research

STEAK CHAINS RANKED BY TOP 100 MARKET SHARE

(share of aggregate sales of steak chains in Top 100)

1991 Rank	1990 Rank	Chain	Fiscal Year Ends	Annual Market Share Current*	Last Full	Prior
1	1	Sizzler	Apr. '92	25.09%	24.90%	24.39%
2	2	Ponderosa	Feb. '92	21.01	20.53	19.67
3	4	Golden Corral	Dec. '91	12.39	12.23	13.17
4	3	Bonanza	Feb. '92	12.30	13.15	13.58
5	5	Western Sizzlin'	Dec. '91	10.97	11.79	13.37
6	6	Ryan's Family Steak House	Dec. '91	10.36	9.56	8.36
7	7	Quincy's	Dec. '91	7.88	7.85	7.46
		TOTAL:		100.00%	100.00%	100.00%

*Projected

Source: NRN Research

Steak houses evolve into 'family dining'

By diversifying menus with breakfast, brunch and bakery plans, budget-chain operators move further away from the traditional boundaries of this segment

by Jack Hayes

Slapped in the pocketbook by aggressive competitors, value-conscious customers and an uncertain ecomony, the nation's budget-steak-house operators are taking another step away from their dated blue-collar beef-house image as they launch into serious tests of bakery products, weekend breakfast and Sunday brunch.

Following years of experiments with sandwich-based lunch promos, salad bars and self-service buffets, the recently ordered breakfast and bakery attack is seen as a strategic move by budget-steak operators who are knocking heads more and more with traditional family restaurant players like Shoney's and Morrison's.

In fact, the bakery and breakfast expansion is seen as the final evolution of the budget-steak segment into what industry leaders now refer to as "budget family dining."

"We don't consider ourselves a budget steak house," explains Michael Minchin, executive vice president of 648-unit Sizzler International Inc. He says his Los Angeles-based chain just concluded a thorough brunch and breakfast test.

"We are looking at Sunday brunch," adds Minchin, who notes that there are no plans to offer breakfast as yet at the Sizzler Steak Seafood Salad units.

Paralleling Sizzler's trial move, bakery and breakfast tests are under way at five of the other seven leading budget chains: 168-unit Ryan's Family Steak Houses, 219-unit Quincy's, 144-unit Western Steer, 350-unit Golden Corral and 475-unit Bonanza.

The 775-unit Ponderosa chain, a sister of Bonanza and part of the Dayton, Ohio-based Metromedia Steakhouses Inc. group, dabbled in breakfast two years ago but was not satisfied with the results.

And Dallas-based Western Sizzlin, with 415 units, is also holding off on breakfast test efforts for the present time.

But most of the operators that are taking the breakfast-bakery plunge are saying they wish they had thought of doing so sooner.

"The performance of our new bakeries is far exceeding expectations," observes Bill Rosen, operations vice president for Family Steak Houses of Florida Inc., which franchises 27 Ryan's units across that state. "We've opened nine bakery units already, and the other 18 will be in by the end of September."

And the Ryan's franchisee feels its recent croissant rollout paves the way for another logical move — into breakfast.

"We'll soon be testing an all-you-an-eat breakfast buffet," Rosen says. "The bakery is a natural takeoff." Furthermore, Rosen notes that Ryan's has been so impressed with its franchisee's bakery test that it plans to open bakeries in the company-owned stores.

Typical bakery items include yeast rolls, biscuits, croissants, muffins, cookies and chocolate brownies. Garlic breadsticks, similar to those served at The Olive Garden, have just been introduced.

Quincy's, owned by Spartanburg, S.C.-based TW Services Inc., is seeing gains from its experiments with weekend breakfast and fresh bakery products — both of which are in response to sluggish dinner counts, says TW Services spokeswoman Karen Randall.

By the end of June Quincy's completed its breakfast bar rollout chainwide and was testing takeout bakeries in 12 of its newer restaurants, Randall says.

The 450-unit Golden Corral chain, based in Raleigh, N.C., is trying weekend breakfast as a test in 10 units and is closly watching its year-old bakery tryout as well, according to marketing vice president Rod Downey.

"It's a structured test," Downey explains, declining to elaborate further.

Meanwhile, a spot phone survey in the Southeast found that breakfast is also being served at certain restaurants in the 144-unit Western Steer system and at a few stores in the 475-unit Bonanza Family Restaurants chain.

(See STEAK, page 138)

A Sizzler steak-house unit.

SUPPLIER NEWS

Getting to know you . . .

Chef John Kartje, left, of the Bismark Hotel in Chicago, chats with Quaker Oats representatives Patty Thomas, left, Paul Baron and Ralph Barentine. Kartje was one of the honorees of the Quaker Oats Company's first annual Customer Appreciation Day. The purpose of the program is to provide an exchange of ideas as well as to recognize the accomplishments of operators in Chicago where Quaker is based.

Heinz inks $500 million deal to acquire Labatt's JL Foods

PITTSBURGH — The H.J. Heinz Co. said it had reached an agreement with John Labatt Ltd. of Canada to purchase its JL Foods subsidiary for $500 million.

A processor of a diversified line of frozen-food products, Eugene, Ore.-based JL Foods operates 11 manufacturing facilities in the United States and one each in England and Canada.

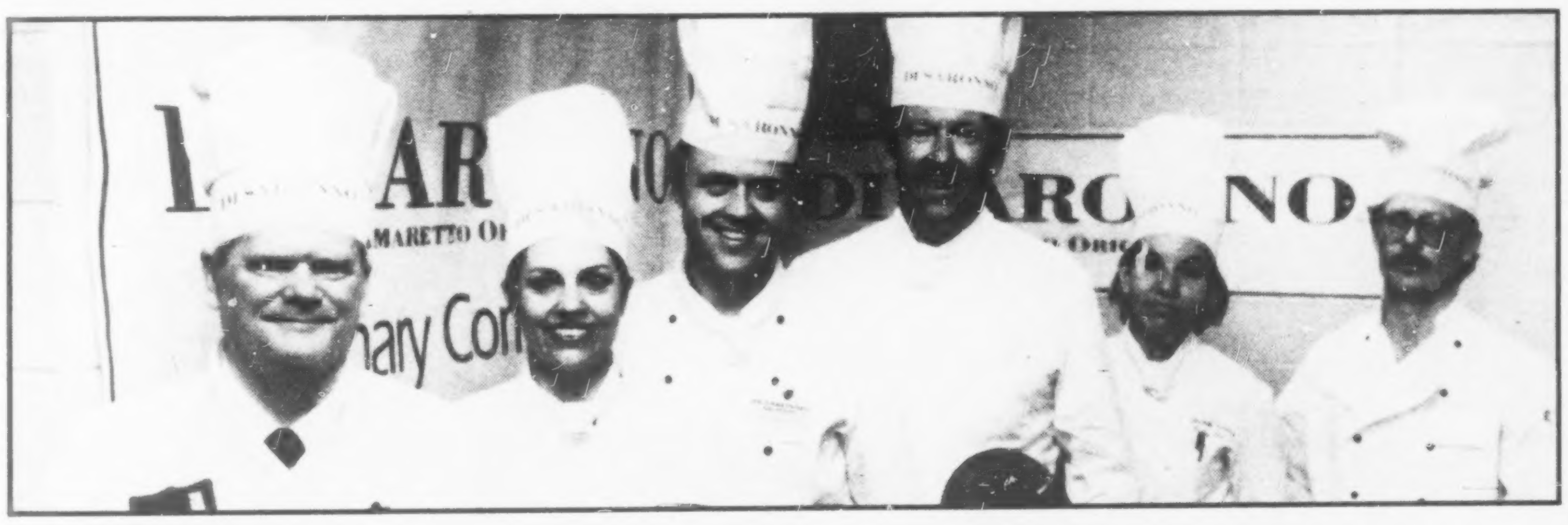
The company reported it had sales of $500 million last year.

In a prepared statement, Anthony J.F. O'Reilly, Heinz chirman, said, "The acquisition of JL Foods is the latest in a series of transactions that are part of a quiet restructuring of Heinz's worldwide portfolio of businesses to take advantage of changing market developments."

JL Foods, under its present umbrella, has six major subsidiaries: Chef Francisco, Oregon Farms, Delicious Foods, Crestar Foods, Omstead Foods Ltd. and Halls European Foods.

JL Foods' frozen products include soups, pastas, fish, sweet potatoes, pizzas, bagels, fish and coated vegetables.

Heinz said the purchase would make it one of North America's largest suppliers of processed products to the restaurant and foodservice industry.



The finalists in the DiSaronno Culinary Competition, left to right: Richard Blaisdell, Linda Young Hierholzer, Victor Gielisse, winner Harmut Handke, ELizabeth Feinberg and Scott Erwin.

Handke wins Italian fare contest

NEW YORK — Harmut Handke, former executive chef at the Greenbrier Hotel in White Sulphur Springs, W.V., was named grand prize winner at the national finals of the DiSaronno Culinary Competition, an event sanctioned by the American Culinary Federation to recognize outstanding Italian cuisine.

Handke edged out five other finalists who fashioned original recipes before an ACF panel during the recent competition at Kendall College in Chicago. For his efforts Handke received the grand prize of $5,000.

The competition, open to all ACF executive chefs, invited entrants to submit Italian recipes for an appetizer, an entrée and a dessert using DiSaronno Amaretto as an ingredient.

A graduate of the Culinary Institute of America, Handke won for his dishes of DiSaronno gravlax, lamb osso buco with DiSaronno dried fruit and nut ragout and DiSaronno gratin with passion fruit coulis and cinnamon walnut cookie.

Victor Gielisse, co-owner and chef at Actuelle in Dallas, was named runner-up. Gielisse was awarded the second-place prize of $1,500.

In addition to Handke and Gielisse, the four other finalists included Scott Erwin, executive chef of the Morris Park Country Club in South Bend, Ind.; Elizabeth Feinberg, pastry chef of Los Abrigados Resort, Sedona Ariz.; and Richard Blaisdell and Linda Young Hierholzer, both culinary arts instructors at Seattle Central Community College in Seattle.

SUPPLIER DIGEST

Oates named new prexy at Garland

FREELAND, Pa. — Garland Commercial Industries Inc., a manufacturer of commercial cooking equipment, has named Gordon F. Oates Jr. company president.

A former marketing executive for IBM, Oates most recently served as executive vice president for the Vulcan-Hart Corp.

Quincy Soybean, C & T in joint venture

RICHMOND, Va. — Quincy Soybean Co. and C & T Refinery Inc. have reached a joint-venture agreement that would entail co-marketing their respective vegetable oil products at both company's existing facilities and building a third refinery at an undetermined site in the Midwest.

The venture's operations management will be centered at the three plant locations, while the marketing division will be based in Richmond, Va. Upon completion of the third refinery, the joint venture will be producing industrial and foodservice vegetable oils.

Delimex execs buy soccer team

SAN DIEGO — Oscar Ancira Sr. and Oscar Ancira Jr., the chairman and president, respectively, of Delimex, a processor of frozen Mexican foods, have formed an investor group and purchased the Sockers — San Diego's entry to the indoor professional soccer league.

The younger Ancira will assume the role of the franchise's managing general partner, while continuing in his capacity as president of Delimex.

Domino's to retail party products

ANN ARBOR, Mich. — Domino's Distribution, the equipment and food distribution arm of the second-largest pizza chain, will begin selling paperware party products in supermarkets and drugstores.

Invitations, paper cups, paper plates, napkins, trays and party favors are among the goods to be offered.

Jero to expand sales network

TULSA, Okla. — Jero Manufacturing, a manufacturer of self-leveling dispensers and cook-and-hold cabinets for the foodservice industry, has broadened its domestic sales network with the addition of six representative firms.

The new sales firms are the Barriger Marketing Group of Englewood, Colo.; Ohio Valley Marketing of Cincinnati; Voeller & Associates of Bellevue Wash.; Ralph Johnson & Associates, Oakland, Calif.; Robert Emig & Associates of Williamsville, N.Y.; and Jim Miles & Associates of Hockessin, Del.

Sea Watch taps Burns as chief executive

EASTON, Md. — Sea Watch International Ltd., a processor of clams and specialty seafood products, has named Michael J. Burns president and chief executive.

Burns, 48, succeeds William J. Shields Jr., who recently retired. A former captain in the United States Marine Corp, Burns had previously served as Sea Watch chief executive before its 1988 acquisition by Nichirei Foods — Japan's largest frozen-food manufacturer.

Two win Alaska trip in seafood contest

JUNEAU, Alaska — As a result of scoring the most points in the Alaska Seafood Marketing Institute's "Far and Away the Finest" seafood promotion, two operators were awarded all-expenses paid trips to the state's famous Waterfall Resort.

Kelly McClean and Mark Johns of the Cattle Co. of Billings, Mont., featured an Alaska seafood fish-of-the-day special for 77 consecutive days.

Howie and Denise Ebenhoeh of Chesaning Heritage House in Chesaning, Mich., ran a 12-week promotion, which included nine Alaskan seafood mentions in the daily specials and a direct-mail piece sent to more than 23,000 people.

Restaurateurs scored points in the contest by using ads, mailers, menu clip-ons and blackboard specials for all species of Alaskan seafood.

Downes named Riester-Davis winner

DEVON, Pa. — Professor Theron Downes of Michigan State University's School of Packaging has been named the 1991 winner of the Institute of Food Technologists' Food Packaging Division Riester-Davis Award.

The annual award recognizes a food packaging professional's lifetime achievement in the field.

Red Lobster lands frozen-food award

HARRISBURG, Pa. — The National Frozen Food Association and the American Frozen Food Institute of McLean, Va., have named the Red Lobster chain the 1991 foodservice innovator of the year.

The 500-unit seafood chain was cited for its creative use and presentation of frozen-fish products. The award will be presented at the National Frozen Food Convention and Exposition, Oct. 6-9 in Orlando.

Dinner-house operators thumb noses at recession

(Continued from page 112)

"Because we have to raise our prices on certain beverages, more consumers will adopt the attitude of 'Let's just drink at home,'" predicts Fred Hipp, president of Kansas City-based Gilbert/Robinson Inc., the parent company of Houlihan's.

Friday's is aggressively merchandising non-alcoholic beverages and striving to attract families with children.

As well positioned as dinner houses seem to be, the chains face their share of challenges.

"These are very expensive operations to run," Technomics' Kruse observes. "It is vital to increase productivity at the unit level so you can maintain profitability in the face of these [current] economic challenges."

What's more, Kruse says, rapidly growing chains like Olive Garden, Chili's and Applebee's and the emergence of strong regional contenders mean the "competitive environment is heating up."

"I'm not sure all of these [dinner-house] guys are immune [to competition from] operations like Perkins [Family Restaurants] or Marie Callender's [Pie Shops]," Kruse explains, citing the in-unit bakeries and lower price points of those broad-menu family concepts. "In some cases there will be competitive pressure from below."

According to Millie Lemajich of Restaurant Consulting Group of Evanston, Ill., intensifying competition has influenced the expansion plans of some operators.

The strategy of Bennigan's executives seems to be to "increase sales by diversifying the menu; they haven't been adding [net] units," Lemajich says. "There are a lot of competitive threats, so they are trying to do a better job with what they have."

Looking for middle ground somewhere between stagnation and skyrocketing growth are established chains such T.G.I. Friday's and Tony Roma's — A Place for Ribs, both of Dallas.

"My perception is that Friday's has shifted the emphasis of the operation off the bar and onto the restaurant," Kruse says. "The broad menu clearly does a good job of addressing eating trends: There are 'healthy' foods, ethnic foods, hand-held foods and comfort foods."

Friday's is also aggressively merchandising non-alcoholic beverages and striving to attract families with children, she notes. "They [the chain's managers] are in touch with the 'hot buttons' of their customer base."

"It's the workhorse of the future"
— Ronald McDougall, Chili's president, in reference to TV advertising.

Those smaller dinner-house chains and capital-strapped giants alike that must go head-to-head with Olive Garden, Red Lobster and Chili's can expect to see a further widening of the media gap.

"It's the workhorse of the future," Chili's president, Ronald McDougall, says of television advertising, which claims more than a 95-percent share of the chain's advertising budget.

"We are primarily a television advertiser; it accounts for by far the majority of our advertising spending," reports Charles Tate, Olive Garden's vice president of consumer and community affairs.

The optimism resulting from the dinner-house segment's positioning for future growth appears to be helping some, if not most, of its participants cope with the challenges.

"My gut feeling is that they are not scrambling as much as the other guys," Restaurant Consulting Group's Lemajich said of dinner-house operators. "When you go into a McDonald's, you see so many [point-of-purchase merchandising materials] for 'light' foods, Mexican foods, whatever," she adds, "that you don't know what [McDonald's] represents any more. There doesn't seem to be that much nervousness in the dinner houses."

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Pizza chains hauled into discounting fray

(Continued from page 98)

In terms of growth, while Sbarro is conducting some modest experimentation with freestanding stores in suburban locations, it shows every indication that it will continue to pursue its food court and mall-based strategy.

Godfather's in Omaha, Nebraska, expanded sales at about an 8-percent-to-10-percent rate last year and anticipates maintaining that rate throughout the remainder of this fiscal year, according to Steve Frisbie, manager of public relations.

"While we have some things in the works, we're concentrating on perfecting what we do," Frisbie explains. "We're filling in areas where we already operate."

The company's strategy calls for battling the competition on a market-by-market basis. Competition, observes Frisbee, continues at "a very high level. There won't be any major deviations from our previous tactics. Couponing will still factor as a major vehicle for us. We'll also continue to feature the Godfather character in our advertising."

> Godfather's strategy calls for battling the competition on a market-by-market basis.

Round Table Pizza — the wholly franchised pizza chain based in San Francisco — has been building business through the addition of delivery. Begun about four years ago, approximately three-quarters of the chain's full-service restaurants have been retrofitted to handle delivery.

One reason for the push into delivery, according to president Jim Fletcher, is the rapid incursion into Round Table's markets by Pizza Hut. "They're probably the single strongest competitive threat we're facing," he says.

And since saturation "is giving people more choices, holding on to our customers has become a real issue," Fletcher continues. And like Godfather's, Round Table is battling back on a market-by-market basis. "We respond to every initiative, including discounting," he notes.

Commenting on the pervasive segmentwide discounting, however, Fletcher acknowledges that "once discounting grows to the level it has, it tends to dilute the points of difference among the players. Price becomes the No. 1 concern in the eyes of the consumer."

For the most part, however, Round Table is continuing to work with its franchisee population to educate them in techniques for building revenues and improving retail execution. "We were a full-service operation first, so we see the dine-in business as continuing to be one of our competitive advantages," Fletcher concludes.

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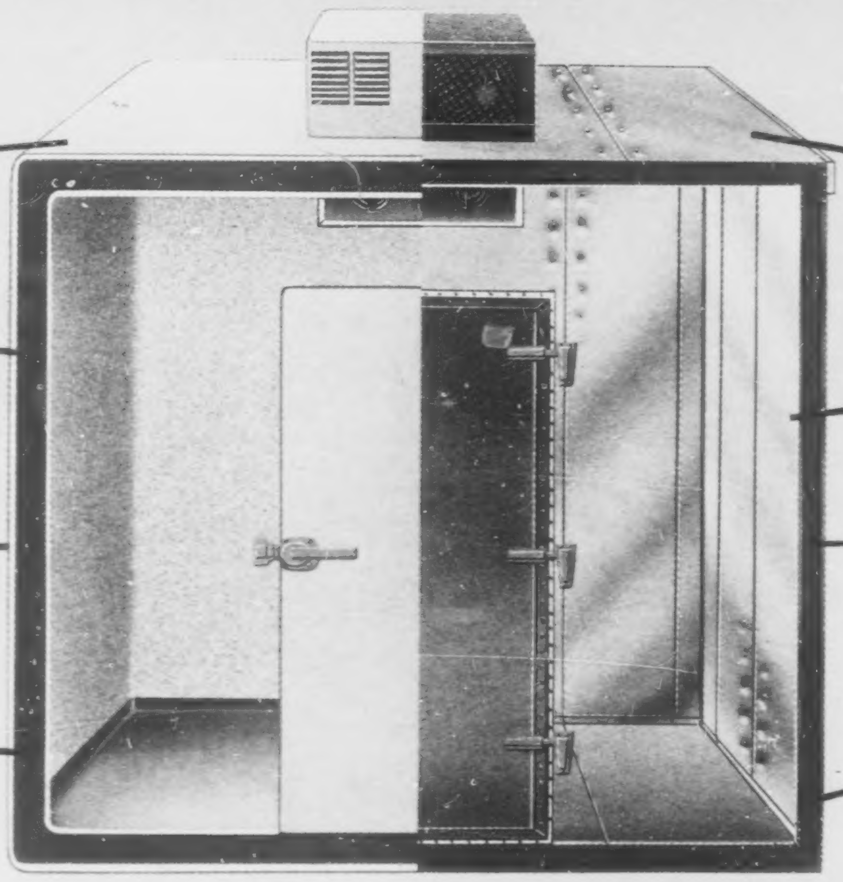
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NEWS

Michael Understein

Understein named VP at Applebee's

KANSAS CITY, Mo. — Michael Understein, director of company operations for Applebee's International, has been named vice president of company operations after two years with the company.

Formerly the owner of the Maine Lobster Feast restaurant in St. Louis, Understein joined the company from Damon's Restaurants in Hilton Head, S.C.

Understein will be responsible for the growth and profitability of the company's 25 restaurants, most of which test new equipment and food items before they are rolled out systemwide.

"We test all new food products, equipment and point-of-sales systems that will eventually be introduced into Applebee's franchise system," he said.

"Initial training of franchise management is also offered at these company-owned facilities," he added.

Top 100 growth stunted by tough economy

(Continued from page 1)

lion, the 5.9-percent increase from their 1990 total is significantly off from the 8.1-percent annual gain those outfits enjoyed a year ago.

The Top 100 census of foodservice's cash cows also reveals that nearly three-fourths of America's 100 biggest chains are expected to conclude the year unable to boost their average-unit sales at rates exceeding the prevailing uptick in menu-price inflation. The widespread potential for real declines is also evident in projections that the systemwide sales of about half the Top 100 chains will advance more slowly this year than the estimated 4.7-percent inflation figure, while nine of the chains are expected to sustain year-to-year dips in sales before adjusting for inflation.

Demonstrating that when economic times are tough, everyone bites the bullet, the Top 100's projected sales-growth rate this year is running not far ahead of the 5.2-percent rate the National Restaurant Association forecasts for the entire industry. Last year, before the recession had its full impact, the association pegged the industry's growth at a 6.2-percent rate, about two full points behind the Top 100's 1990 gain.

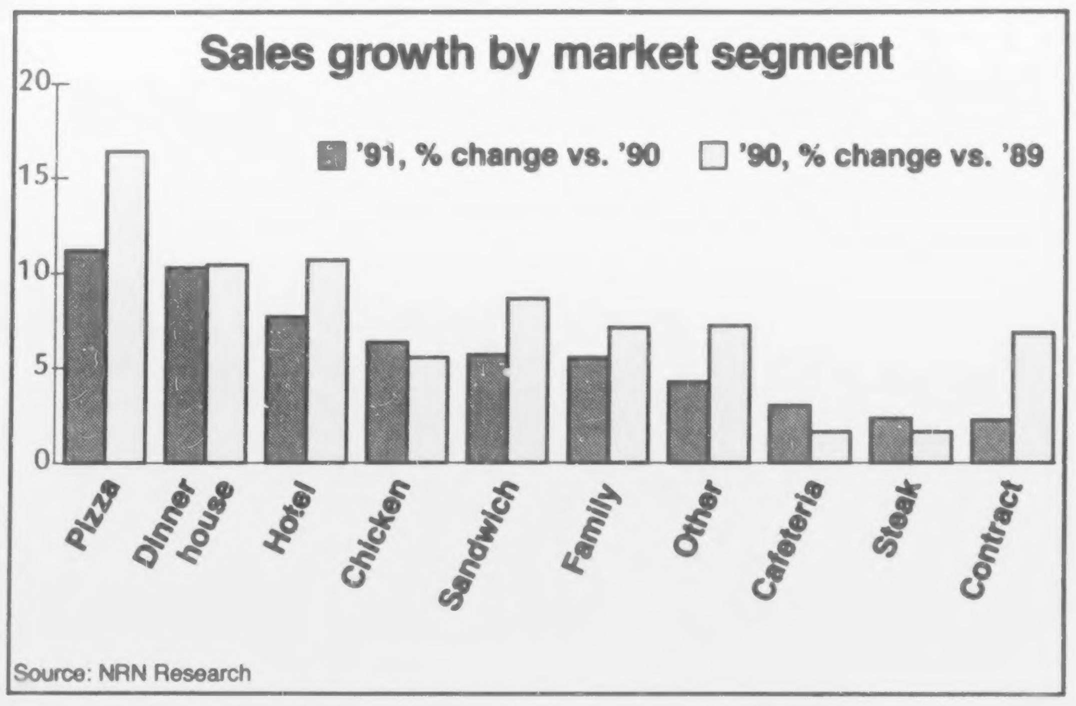
Among corporations, which are ranked in the study on the basis of domestic foodservice revenue, impressive numbers are projected for Pepsico Inc. and General Mills, the No. 1 and No. 5 highest-grossing firms, respectively. Making the most of those standings, PepsiCo — the parent-company of Pizza Hut, KFC and Taco Bell — also placed 11th out of 100 in revenue growth, while General Mills — owner of the Red Lobster and Olive Garden chains — was credited with the 17th-fastest rate of revenue growth this year.

Overall, foodservice revenues by the top 100 companies totaled $59.8 billion, a 6.1-percent gain over their total last year but down from the 8.7-percent rise a year earlier.

Apart from such companies as Kyotaru, whose revenue-ascent rate came more through acquisitions than through operations, the other standout corporate gainers this year include Buffets Inc., parent of the fast-growing Old Country Buffet chain, and the firms that own Cracker Barrel, Subway, Chili's and Little Caesars.

Those chains and the ones owned by PepsiCo and General Mills share common traits, insofar as they all have successfully exploited their customer-sensitive pricing attributes. "They are value-driven concepts, and that's where the action is," says Malcolm Knapp, president of the New York-based Malcolm M. Knapp Inc. research firm. "The consumer is still very nervous and feeling pinched."

"Value is selling this year," concurs Bob O'Brien of the Park Ridge, Ill.-based NPD CREST consulting firm. "But," he adds, "in the longer run, variety" is the tactic restaurant chains can be expected to adopt.


Sales growth by market segment

Source: NRN Research

"As we see the core, restaurant-using baby boom generation aging, they're moving from a simpler kind of repertoire in restaurant purchases to more variety," O'Brien explains. However, menu diversification by fast-food chains, he adds, has often backfired by confounding their ability to meet customers' speed-of-service expectations.

On the other hand, casual-theme dinner houses and other restaurants that offer some dining amenities are regarded as well positioned to deliver value and variety and are taking careful aim at the lunch-hour clienteles of dominant sandwich-segment players. "Fast food still owns the value-lunch business, so it's logical to pick it off," says Knapp, citing the varied slates of $3.99 lunches at Red Lobster and Sizzler as two examples of the threats that burger chains will continue to face.

The apparent blurring of traditional borders between major market categories — a trend revealed in the written analyses that accompany Top 100's intrasegment rankings — is also likely to complicate the industry's marketing battles. No longer able to focus principally on just their most direct rivals, chains of all stripes are being forced to reckon with such cross-over phenomena as McDonald's sales of burritos and pizza; Hardee's impending status as the industry's No. 2 fried-chicken source; budget-steak concepts' installations of in-store bakeries; KFC's explorations of catering and delivery; Domino's openings of sit-down restaurants; and Pizza Hut's development of an upscale, casual-theme prototype.

Although restaurateurs are having to step through new and unusual minefields of competition, some seasoned hands believe lower-cost expansion opportunities may increase as the recession weeds the industry of distracting novices and marginal operators.

"It's my view that over the next few years you'll see a higher percentage of converted seats come on stream than you will see new ones," says James A. Collins, chairman of Sizzler International. Collins, whose Sizzler system is converting Howard Johnson's units acquired from Marriott Corp., points out the example of failed eateries in overbuilt Florida markets that have recently been turned into Blockbuster Video stores. "And that's a good thing" for the restaurants still in operation there, Collins stresses.

Olive Garden, whose aggressive recycling of existing structures has fueled the chain's fast-track expansion and sales boom, is a prime example of the virtues of growth through conversion. Analysts say the knack for seizing a make-over opportunity is a skill other restaurant organizations will need to hone, especially as shopping-mall construction and other development taper off.

"There are good sites in prime locations that you can get only by taking them over from somebody else," says Knapp, outlining a credo that is certain to be heeded by those organizations intent on retaining and enhancing their Top 100 stature.

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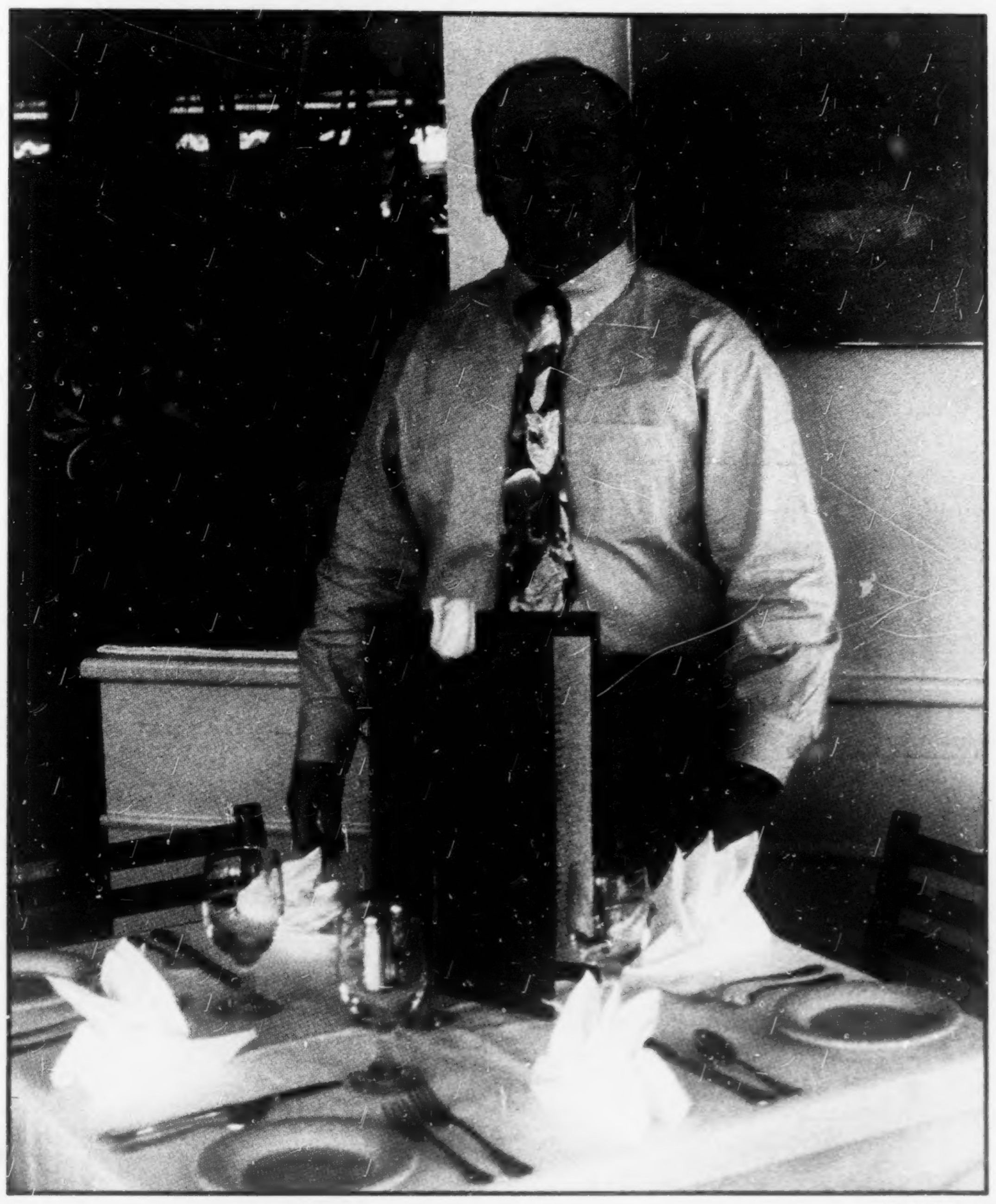

NRN Photo

La Mer owner Walter Aymen in the stylish new seafood restaurant that is leading Houston's new wave of seafood restaurant openings.

Fast feeders accelerate minority licensing drive

by Milford Prewitt

Motivated by changing demographics and pressure from advocacy groups, several quick-service chains are stepping up their efforts to recruit and retain minority franchisees.

However, a major slowdown in all restaurant franchising coupled with a tough economic environment is frustrating their efforts.

Some chains have created vice-president-level positions specifically to handle minority licensee recruitment. Others have promoted successful minority franchisees in in-chain magazines, created special loan programs and lowered net-worth entry requirements.

The efforts come some two decades after several fast feeders initiated vigorous programs that, despite being designed to attract minority franchisees, have yielded just a smidgen of minority operators.

According to franchising research firm Francorp, although the restaurant industry has the third-highest concentration of minority operators in eight heavily franchised fields, minorities made up only 8.5 percent of all restaurant industry franchisees in 1990.

Yet racial and ethnic minorities accounted for 25.4 percent of the population in the 1990 census and are expected to account for about 29 percent of the population by 2000, according to the U.S. Census Bureau.

Although most restaurant chains have been more successful employing and advancing the careers of minorities and have succeeded finding minority vendors, minority group franchising has been a mixed bag and in some cases is fraught with controversy and discord.

An array of socioeconomic factors contributes mightily to the difficulty in enlisting minority franchisees. Among them are minorities' lack of access to capital, the recession,

*(See **RECRUITING**, page 41)*

Non-fried seafood making new waves for Houston diners

by Carolyn Walkup

HOUSTON — Seafood is making a big splash here as the traditional deep fryer takes a back burner to the grill.

New restaurants, such as La Mer, Floyd's Seafood Kitchen and Blue Water Grill, are distancing themselves from many older local seafood places by offering fresh fish and seafood in non-fried preparations.

At the same time, Tony Vallone, operator of three of the city's best-known restaurants — Tony's, Anthony's and the Grotto — is planning to open his first seafood restaurant later this year. And, as with the other new players, grilled fish is expected to be a staple of the menu.

La Mer, a sophisticated white-tablecloth operation on Post Oak Boulevard operated by Walter Aymen of Cent'anni Gran Ristorante, features fish from all over the world. The different varieties are grilled, sautéed, steamed, poached or cooked in other ways appropriate to the species.

"I opened La Mer because my diners were repeatedly asking where to find the best seafood in an upscale atmosphere. Houstonians are tired of Gulf coast fried fare," Aymen said.

His chef, Arturo Boada, leans toward Southwestern

*(See **HOUSTON**, page 4)*

Failed coup lifts spirits of operators

U.S. restaurateurs eager to resume Soviet ventures

by Milford Prewitt

MOSCOW — Soviet President Mikhail Gorbachev's return to power after an aborted coup energized American restaurant operators, who say they are more encouraged now to develop joint ventures and expand their concepts in the Soviet Union.

From New York deli men plotting their first units to international giants like Pizza Hut, American foodservice operators agree that the coup failed because Russian citizens refused to turn the clock back and are demanding democratic reforms and a free-market economy.

"Once the genie is out, you

*(See **FAILED COUP**, page 67)*

NRN Photo

Bill Sherrill, left, owner, and Christian Boos, brewmaster, tend the vessels at Spring Garden Brewing Co. in Greensboro, N.C.

Bible Belt brew-pubs sprout up as old laws crumble in many states

by Jack Hayes

The Prohibition-era laws that have banned Bible Belt brew-pubs for more than 50 years are being wiped from the legislative tablets in all but the most conservative corners of the Southeast, spawning a wave of new microbrewery-restaurants.

Just four Southeastern states — Alabama, Georgia, Mississippi and South Carolina — still have statutes that outlaw brew-pubs by forbidding

*(See **BREW-PUBS**, page 67)*

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Beef sitting pretty at top of dinner menus
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Vol. 25, No. 34 September 2, 1991

NEWS BRIEFS

Pizza Hut delivers pies to Yeltsin and coup resisters

MOSCOW -- Pizza Hut played a small part in defeating the coup d'etat here by helping to fortify the principal opponent, Russian president Boris Yeltsin, and the Soviets who rallied to his cause.

The pizza chain's units here delivered 260 pizzas and 20 cases of soft drinks to Yeltsin and his supporters in and around the Russian Parliament, where they were holed up in anticipation of an attack by Soviet troops. Their resistance proved critical in thwarting the attempted ouster of President Mikhail Gorbachev and his reformist allies.

Pizza Hut said it did not charge for the refreshments.

Connecticut cuts sales tax but passes income levy

HARTFORD, Conn. — At a time when many states are walloping retail businesses with detrimental tax increases, Connecticut has given its operators a break, cutting the sales tax by two points, to 6 percent, and rescinding a 20-percent corporate surcharge.

The sales tax was cut specifically to bolster the state's flagging economy.

However, the advantages to businessmen living within the state will be tempered by the imposition of a new 4.5-percent income tax. The state did not formerly have an income levy.

The income tax was the subject of a fierce political debate within the Nutmeg State. Gov. Lowell Weicker, who is not aligned with either major political party, insisted that an income tax be included in the legislation, while the Democrat-controlled Legislature steadfastly opposed the levy.

The impasse left Connecticut without a budget for the first seven weeks of its fiscal year.

Frisch's sells, closes Big Boys in 4-state area

CINCINNATI — Frisch's Restaurants Inc. has sold or shuttered 15 unprofitable Big Boy units in Florida, Kansas, Oklahoma and Texas.

"We didn't see any light at the end of the tunnel," said Frisch's chief executive, Craig Maier. "Those sites just weren't making money for several years. We've always been able to absorb the margins, but enough is enough."

Maier said Frisch's sold five of the Big Boy units at an undisclosed price, licensed seven restaurants to a former Frisch's executive and several employees of the company, and closed three other stores.

However, Maier noted that Frisch's will maintain the Big Boy franchise rights for the four states, while continuing to operate its 100 Big Boy restaurants in Ohio, Indiana and Kentucky.

Rep. Lantos scolds fast-food prexy in child-labor probe

REDWOOD CITY, Calif. — Rep. Tom Lantos, chairman of the House subcommittee mulling a bill to add criminal penalties for the most serious child-labor law infractions, chided the president of Jack in the Box for the chain's numerous violations of rules regulating the employment of minors.

"Who was monitoring safety at Jack in the Box — the clown?" Lantos asked Robert J. Nugent Jr., president and chief executive of the 1,100-unit chain, according to the San Francisco Chronicle's report on last month's subcommittee hearing here. Jack in the Box, whose signs include a clown caricature, was cited 354 times and fined $94,000 in California last year, mostly for excessive hours worked by 14- and 15-year-old students.

Nugent reportedly conceded that existing fines should be stiffened to deter violations and pointed out that Jack in the Box had stopped hiring the younger workers, a practice he said began in 1988 because of the difficulty in recruiting older employees. "We have ended that brief chapter of our operations," Nugent was quoted as telling the panel.

Lantos, the California Democrat whose subcommittee is holding nationwide hearings on the bill he co-authored to criminalize violations involving fatalities or injuries, said child-labor law infractions of all types increased from 10,000 in 1983 to more than 40,000 last year.

The federal government conducted several sweeps last year to catch violators of national teen-labor laws. Thousands of infractions were found within fast-food restaurants, spurring Congress to stiffen the penalties severely.

Foodservice officials have maintained that operators inadvertently violate the laws because they do not understand the complex regulations. Simpler rather than harsher rules are needed to correct the problem, they maintain.

BK's largest Canadian licensee pulls out of system

EDMONTON, Alberta — Burger King's largest Canadian franchisee has departed from the system, citing disappointment with its franchisor's assistance in trying to reverse a three-year same-store sales decline.

CFI Restaurants Inc., a 15-unit BK licensee, said it would convert its stores into Jake's, a new Canadian fast-food concept operated by Jakes Restaurant's Inc., a sister operation of CFI.

"CFI has been a Burger King franchisee for 15 years," said Robert F. Beeson, president of CFI and Jake's. "For the past three years we have been disappointed in Burger King's inability to address declining sales, customer counts and profitability. We have an opportunity to strike on our own, and we have chosen to do so."

But Mike Evans, a BK spokesman, said CFI had a contract that was due to expire this month and neither BK nor CFI initiated any negotiations to renew the agreement.

Evans said the chain would have 197 restaurants in Canada after CFI departs.

Brigham's prexy leads chain buyout

ARLINGTON, Mass. — Milton Namiot, president and chief executive of Brigham's, a 60-unit family restaurant chain and ice-cream manufacturer here, has teamed up with a venture capital group to purchase the company from owner Bennett LeBow.

Terms were not disclosed.

Namiot indicated he plans to use the financing supplied by Grotech Partners, the Baltimore-based capital group that funded the acquisition, to open 25 to 30 Brigham's units over the next five years.

Church, Tribune's Mary Meade, killed in robbery attempt

CHICAGO — Ruth Ellen Church, a well-known Midwestern food critic and cookbook author who wrote under the name Mary Meade, was found murdered in her home, the apparent victim of a bungled burglary. She was 81 years old.

As Mary Meade, Church began writing about food for the Chicago Tribune in 1936. She retired from the paper 38 years later, in 1974.

Among her contributions were the development of a test kitchen for the newspaper and the 1962 launch of what is generally regarded as the first regular wine column to appear in American media.

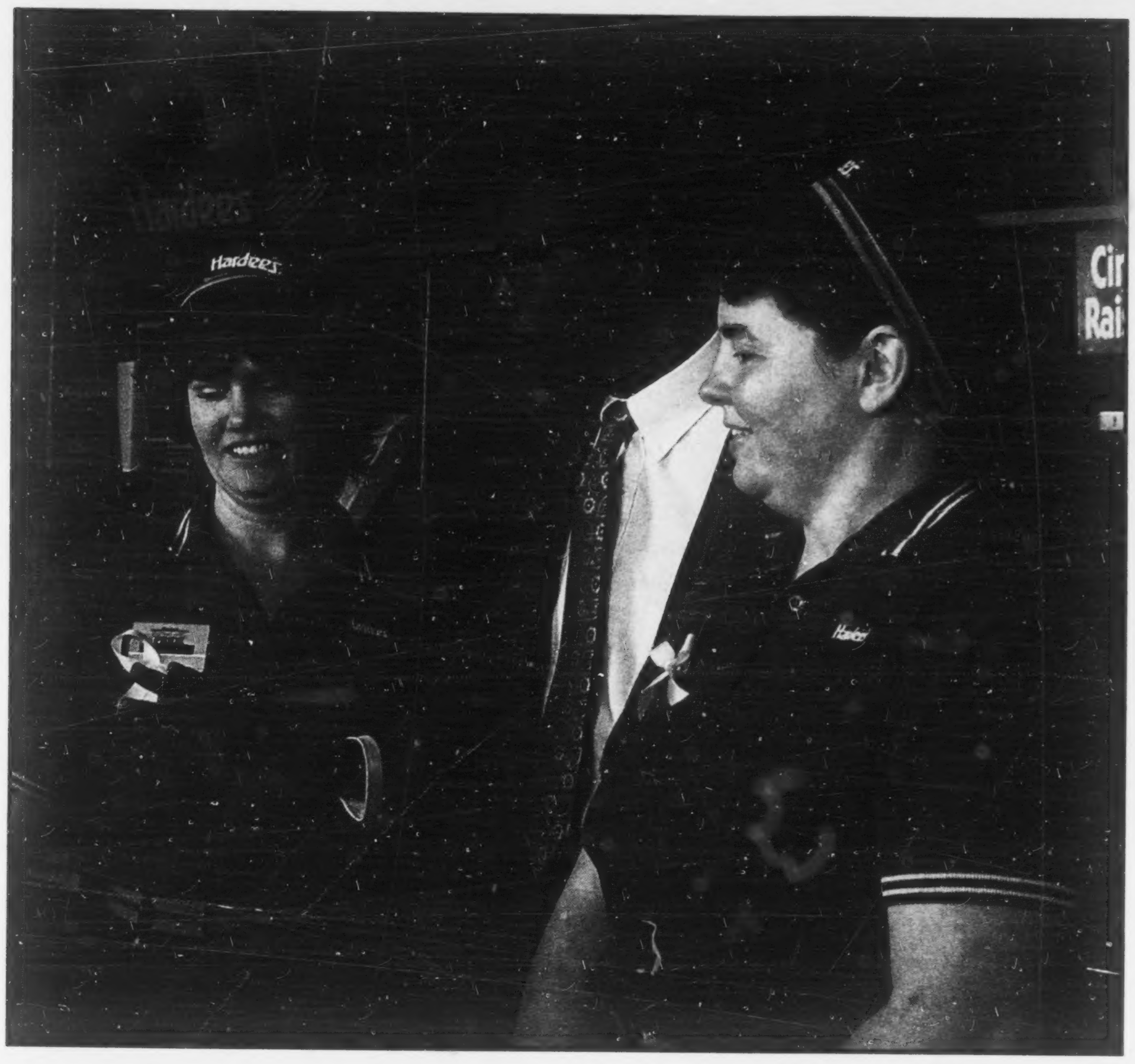
Her cookbooks include "Entertaining with Wine" and "The Indispensable Guide for the Modern Cook."

Disney-MGM chef narrowly beats Universal's entrant in Fla. competition

ORLANDO — In a dramatic culinary showdown, Reimund Pitz, Disney-MGM Studios executive chef, edged out Universal Studios Florida executive chef Steve Jayson by just 1/100th of a point to defend his title as Florida's best seafood chef two years running.

Outcooking a field of 15 top chefs from across the state, Pitz and Jayson both won gold medals in the prestigious Governor's Cup Seafood Challenge, which is held annually during the Florida Restaurant Association-sponsored Southeast Foodservice Expo.

"It was the closest kitchen battle we've ever had to judge," said Philip Guilbeault, who is executive chef at Mission Inn resort at Howey-in-the-Hills, Fla., and chaired five culinary competitions during the 1991 Expo.



Chris Gallant, center, chats with two employees at his Linthicum, Md., Hardee's.

Minority Franchised Operations Within Selected Restaurant Chains*

Chain	Number minority operators	Number minority units	Total franchised units in chain
Jack In The Box	44	143	397
Burger King	180	518	4,720
Church's Chicken	NA	220	358
Arby's	56	NA	2,100
Hardee's	22	35	3,090
Domino's Pizza	NA	275	3,997
Ky. Fried Chicken	69	166	3,200
Dairy Queen	NA	450	4,620
Blimpie	NA	127	440
Taco Bell	44	130	1,376
Wendy's	23	88	2,500
7-Eleven	NA	1,124	3,035
McDonald's	420	830	7,100

*Does not include white women
Source: Company reports and estimates

Recruiting minority franchisees: A bumpy road to chain expansion

Despite a beefed-up effort by many chains, minority licensee recruitment still has a long way to go — with many social and economic factors standing in the way

(Continued from page 1)

tougher bank requirements, and a deep sense among some minorities, especially blacks, that the restaurant field is a dead-end career. What may be even more insurmountable is the fact that most chains are not franchising at all.

Nevertheless, some companies, motivated by the nation's changing ethnic and racial complexion and increasing minority customer visits, say they are renewing their efforts to find minority operators.

"Given current market trends, pointing to a more diverse consumer and demographic base, we feel we really have to step up our minority and women franchise recruitment efforts," says Glenn Mueller, vice president of franchise operations for Domino's Pizza. "We feel we need a bigger and broader base, especially given the way things are heading."

However, Domino's, which has reported in the past that 9 percent of its 3,900 stores are run by minorities, faces a markedly more difficult challenge than do many other chains since it demands that franchisees come from the ranks of existing franchises or company operations.

According to W. Maurice Bridges, Hardee's corporate spokesman and head of the company's recruitment efforts, "It's really not necessary to have black operators cater to black consumers.

"But it is important to have black operators, in our view, because it brings in a loyal minority customer base if it is generally well recognized that Hardee's is sensitive to black concerns and is working to develop black entrepreneurs."

Twenty-two minority operators run 35 restaurants in Hardee's 3,090-unit franchised system.

Walt Simon, Kentucky Fried Chicken's vice president of development, whose responsibilities include building a minority franchise base and searching for minority purveyors, asserts that minority franchise recruitment makes good business sense.

"The demographics are changing, and more and more minorities are entering our stores," he explains. "So it only makes sense that we would support the people who support our business.

"We intend to go after and recruit from all minority groups, but right now if there was a slight tilt toward any one, it would be the Hispanic community."

Despite such open-arms proclamations, the new search for minority franchises confronts a tough reality: The restaurant industry is growing very slowly. With saturated markets, a recession, stingy banks, inflated real estate and higher operating costs, domestic franchise growth has slowed to a crawl.

According to NRN's annual market survey of the 100 biggest restaurant chains, franchise expansion is projected to grow only 4.3 percent between 1990 and 1991, from a base of 62,278 units to 65,002. Between 1989 and 1990 franchisee unit growth increased 5.1 percent.

Companies like Pizza Hut are opening more company units, and McDonald's is selling underperforming stores to existing franchisees domestically. Some chains, like Taco Bell and Jack In The Box (which has nearly a third of its franchised units operated by minorities), are not looking for new franchisees.

Amidst that backdrop, the recruitment and retention of minority franchisees has taken a backseat for some chains.

*(See **MINORITY**, page 42)*

Minority franchisee recruitment: A bumpy road for chain expansion

(Continued from page 41)

And for some systems, antagonism more than partnership describes the relationship between corporate headquarters and their minority licensees.

Perhaps the most pervasive point of conflict centers around the contention held by some minority operators that headquarters does not allow black or Hispanic operators to open stores in white or solidly middle-class market areas.

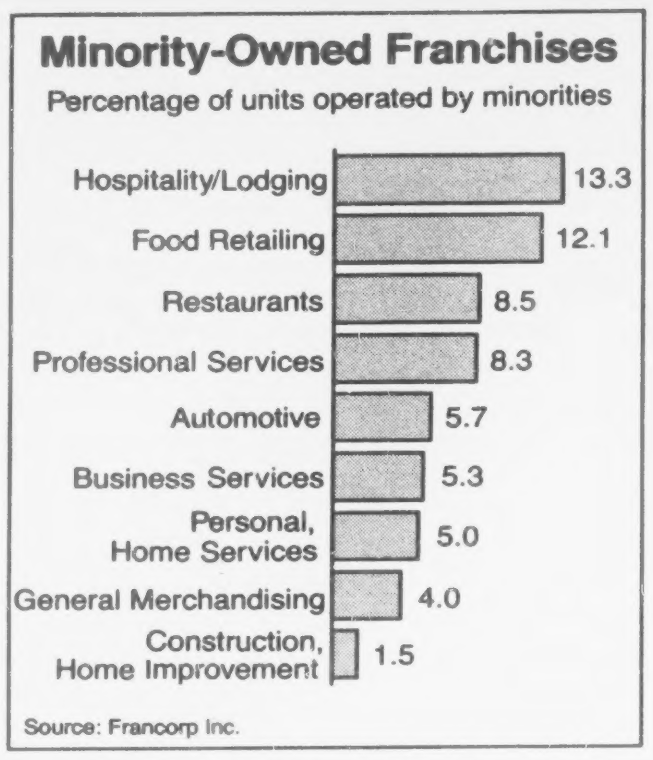
While McDonald's and 7-Eleven have been accused by some of their minority franchisees for "franchisee redlining" over the years, Burger King currently is locked in a court battle on the same issue by some of its licensees, who are seeking $500 million in damages for racial disrimination and restraint of trade practices.

The plaintiffs in the BK suit recently upped the ante by asking a federal judge in Miami to upgrade their litigation into a class-action status to encompass every minority operator in the system.

McNair Grant, executive director of the International Trade Bureau of Operation PUSH, which helped create a convenant with BK to establish a base of minority franchisees and which actively monitors minority franchising issues in the restaurant industry, charged that the steering of minority operators to minority or lower socioeconomic communities is a widespread problem throughout the restaurant field.

"It's all right for white franchisees or company stores to develop minority communities, but most restaurant companies don't grant that same flexibility to minority operators who want to open in white communities," he says. "They seem to have major problems with that."

Pizza Hut faces similar complaints by some of its former and current licensees who are black, but they have never taken the Pepsico subsidiary to court over the matter.



Source: Francorp Inc.

Instead, the licensees say, when they complained they needed more support and pleaded to be assigned store sites in prosperous areas outside of the inner city, the company steadfastly refused.

"I just don't think Pizza Hut really knew how to do business in big cities with large minority communities," says Dr. Othello Curry, a black veterinarian who ran four Pizza Hut units in Philadelphia for seven years before he pulled the plug in 1990. "They wouldn't even send a representative to my first grand opening, not even from the regional office, and here's the mayor of the city there."

Vince Berkeley, Pizza Hut's vice president of equal employment opportunity and minority affairs, admits that Pizza Hut made some mistakes seven to eight years ago when, after 30 years of small-town and rural expansion, the chain began to grow in big cities. By that time, he notes, most of the chain's operators had been in the system for 30 years and had developed sophisticated operations that did not require the assitance of headquarters.

"The fact of the matter is we put people in business who did not know a lot about the restaurant business," Berkeley explains, adding that the minority franchisee recruitment program has been overhauled and would not duplicate the mistakes of yesteryear.

Pizza Hut is also drawing the ire of Hispanic civil-rights groups and the Congressional Hispanic Caucus over its lawsuit seeking the disenfranchisement of the system's third-largest licensee, Arturo Torres, president of Pizza Management Inc. in San Antonio.

When PMI sued Pizza Hut for refusing to let it go public a few years ago, Pizza Hut sued to disenfranchise the 240-unit licensee. What started out as a purely contractual battle between a franchisee and its franchisor is being played out in the Hispanic community as a racial fight.

Pizza Hut insists that the battle is only over PMI breaking its contract by trying to go public.

On top of those brouhahas, there are white franchisees who question the fairness of paying royalties to a franchisor who has erected elaborate programs to benefit minorities while they cannot share in the same franchisee benefits, some operators say.

Herman Cain, president of Godfather's Pizza, easily the best-known black executive in the industry, says he has trouble recruiting minority operators, especially black licensees.

"I think it is unfair and incorrect to blame race as the only reason for the lack of minority licensees in our business," Cain remarks. "The fact of the matter is that many minorities are first-generation members of the middle class and are reluctant to risk their money and equity on a franchise. Non-minorities are second-, third-, and fourth-generation middle class to a great extent and have that financial strength."

In addition, Cain argues that many middle-class and educated blacks are still burdened by a historical perception that the foodservice industry is a dead-end career where blacks have been relegated to menial, low-paying, tedious jobs.

Grant, the Operation PUSH executive, indicates that blame is on both sides of the fence.

He notes that minority franchisees, attracted to high restaurant sales volumes, too often take over stores in need of renovation and are forced out of business when they are unwilling to make the property improvements to attain sales goals.

"We're really concerned about how minorities get into the business in the first place," he explains. "A lot of minority entrepreneurs are being put out of business because they overlook the fact that they are getting a 20-year-old store and they are not going to do the high sales without putting some money back in the business."

But he says what Operation PUSH is working to secure with Burger King, and which ought to be the objective for the industry at large, is the goal of achieving minority-run restaurants whose numbers are equally proportional to the amount of sales the chain earns from minority consumers.

"We're very pleased with the strides

*(See **CHAINS**, page 43)*

Two franchisees prove dreams *can* come true

by Milford Prewitt

In an era when some restaurant companies are reviving their drives to recruit minority franchisees, Vivian Dominguez and Chris Gallant stand out as two reasons why minority operators have made good business sense for Kentucky Fried Chicken and Hardee's, respectively.

Dominguez, a Mexican-American who operates 10 KFC units out of his Las Cruces, N.M. headquarters, is one of the chain's most successful and most seasoned operators, having acquired his first franchise with nothing more than a personal handshake with the late Colonel Harland Sanders 26 years ago.

Gallant, a black franchisee of a single Hardee's in suburban Baltimore and one of the chain's youngest operators at 35 years old, is exploring the possibility of opening a second store after a careful 3.5-year tutelage in Hardee's minority franchising program.

For both the men and their respective chains, the relationship has proved to be mutually profitable.

While neither man knows each other and in many ways represents opposite ends of the experience and wealth spectrum, the bridge that ties them together is an ambition most franchisors say they relish: entrepreneurs who are driven to work for themselves.

Dominguez and Gallant also share a deep loyalty to their franchisors but for different reasons.

For Gallant, Hardee's was the only fast-food restaurant chain he knew as a boy growing up in Georgetown, S.C. It wasn't until years later, when Burger King and McDonald's arrived in the area, that Gallant realized there were other fast-food restaurants.

Vivian Dominguez

For Dominguez, KFC made it very easy to become successful. He says KFC struck him as a company that genuinely wanted to see him succeed, and it was never condescending because he was a minority.

"I never had a problem with them as a minority operator," he says. "I had no problem getting financing or anything. They always made it easy to work, and now, 26 years later, you see they are looking for more minorities and are asking our input in the advertising."

Dominguez, whose company is looking to make $5.5 million in sales this year, employs 210 workers, 50 percent of them Hispanic. He has won several of the chain's operations and cleanliness awards.

A former captain in the Army and a graduate with honors from South Carolina State University, Gallant says a lifelong "entrepreneurial itch" is probably what motivated him to leave the service.

Even as a youth, Gallant says, he sold ice cream as a sidewalk vendor.

"I had every reason not to become an entrepreneur," he says. "I had a good military career with promotions, and my career seemed pretty set to remain in the service.

"But I could not shake this bug."

Gallant, who took over a marginal company store in Linthicum, Md., has increased the unit volume from $650,000 a year to $850,000. While the sales level is about $100,000 below the chain average, Gallant is undaunted.

"I've been profitable every year I've been in business," he explains. "And I'm at the point right now where I think I'm becoming an operational expert, but that could not have happened without the support Hardee's gave me. They've been very beneficial."

Gallant notes that he dabbled in two other businesses before he decided to become a Hardee's franchisee.

Besides retaining his childhood memories of Hardee's, Gallant notes he was impressed by written descriptions on Hardee's franchisee program, coming at a time when he was sensitive to reports about the difficulties black franchisees were having in Burger King and McDonald's.

"I can say Hardee's has treated me quite well," he remarks. "There's been no interference from them." By way of stressing Hardee's support, Gallant notes that his unit, a former company operation — which he is buying through the minority franchising program — is located in a predominantly white, middle-class area. The unit employs 38 people.

Dominguez recalls that when he initially became a franchisee, most of the restaurant industry was full service, with none of the up-and-coming fast-food chains limited to just one product, like chicken.

But as the industry matured with more reliance on technology and higher entry expenses and operating costs, Domiguez says he is fortunate that he entered the business when he did.

"It was a little easier to get started back then," he points out. "Today, by the time you open, you're looking at a store that cost you $600,000 to $700,000. But even at that, KFC gives you the means to make it work."

Despite their successes, Dominguez and Gallant warns that being a restaurant franchisee is not for everyone.

"If you're the kind of guy who wants to run a business by standing at the cash register and not letting anyone else handle the money, this business is not for you," Dominguez warns. "Sure you're going to have people who will try and get you, but you have to trust the people in your organization. That's the only way you are going to grow."

Gallant's caution about the business is more personal.

"You have to make sure that you are willing to make the commitments necessary so that you can balance everything else in your life with the business," Gallant says, "and that is not easy."

Computer pays off by keeping business costs low

PURCHASING
PATT PATTERSON

Griswold Inn
Essex, Connecticut

Operation: Independent, upscale restaurant, in a 25-bed country inn. 250 seats in 4 dining rooms; 30 seats in the Tap Room, which serves lunch.
Menu: American/Continental.
Meals served: Lunch, dinner, continental breakfast to inn guests.
Check average per person: Lunch $12; dinner $25, not including alcoholic beverages.
Annual food purchases: Approximately $1.25 million.
Key buyer: Robert Gaffman, director of purchasing.

"We paid back the cost of the computer inside of six months," explained Robert Gaffman, director of purchasing for the Griswold Inn, Essex, Conn. "And that's if you just consider the savings in labor from taking inventory. We also save labor on purchasing, and we keep our food costs down using the computer."

Gaffman joined the inn, which dates from 1776, about two years ago from a background in non-commercial and corporate dining. He's a graduate of the Culinary Institute of America. "I'm director of maintenance as well as director of purchasing," he explained. "I also function as right-hand man for the inn's owner and general manager, William Winterer."

When Gaffman arrived at the inn, he found purchasing in "pretty good shape," but he felt there wasn't enough cost control on purchases.

"Sales reps came in, orders were given and there wasn't any competitive element in purchasing," he said. "I bought a laptop computer, an IBM-PC type, and installed a software program that I used before I joined the inn."

The computer system, initially developed by Houk & Soles for a Midwestern distributor, does just about everything that Gaffman finds necessary. "If our distributors were set up for it, we could send our purchase orders directly to their computers by modem," he noted. "But as it is, we can fax in the orders, phone them in or hand them to a sales rep."

One major function the program performs is comparing bids. "We give our full-line distributors a bid list at the end of each month," Gaffman explained. "When they get the bids back to us, I enter them into the computer. The computer defaults to the lowest bid price for each item that meets the standard and assigns it to the vendor that submitted it. When we order that product, it comes out on the purchase order for that vendor. I can override the program, but I personally don't have to get on the phone and negotiate for nickels and dimes."

Gaffman admitted that it caused some distress among sales reps. "They came to me and asked, 'What happened? I used to have 50 percent of your business.' My answer was simply, 'Your prices weren't competitive this month. With this system, it isn't possible to lowball a few items and win the bulk of our business.'

"We give everybody an opportunity to put pencil to paper and work out the best prices. But we won't tolerate lowballing to get in the door, with the idea of hiking prices later when we're accustomed to the relationship. The bidding system we're using now weeds those suppliers out quickly."

Although the inn doesn't use written specifications, Gaffman said he sat down with each distributor and went over their requirements in detail. "We buy a lot of our grocery products by brand. That way everyone knows what they are bidding on."

The computer also flags price changes during the period covered by the bid when the invoices are entered. And it updates all recipe costs when a price changes.

"We also get a worksheet that allows us to inventory by storage location, rather than by class or by alphabetical listing. This is what cuts down inventory time."

Receiving is an important element of Gaffman's system. "The receiving clerk gets a copy of each purchase order. Everything on the delivery invoice is checked both against the delivery and against the p.o., by count and by label. All random weight items are weighed in."

Every one of the critical meat items are checked personally by one of the chefs. "We order strip loins, tenderloins and prime ribs as subprimals and cut them here," Gaffman explained. "Our primary meat supplier, which has been with us for 18 years, hand selects those items, but our chefs still inspect every one of them. We've built our reputation on our meats, and we want to be sure they meet our standards. Our customers know it if they don't."

All food is dated when it comes into the inn. "It only takes a couple of seconds for the receiving clerk to use a marker to put the date on each package we receive," Gaffman said. "That way we can be sure we're rotating the food properly. And if we run into something that isn't right later, we can go back to the specific invoice. And our suppliers will take it back."

A special promotion for winter presents some challenges to Gaffman. "We offer a month-long traditional, Colonial-style Christmas Feast built around game dishes," he explained. "I had to find moose (I found 1,000 pounds from New Zealand), rabbit, goose, quail, smoked oysters, venison, and we have to find ingredients for traditional desserts like cranberry pound cake. I depend a lot on my suppliers."

Last year the Griswold Inn also set up a special menu promotion for the winter months, starting in January, which was an additional challenge for purchasing. "We met with the Connecticut agriculture department and developed a 'Connecticut Bounty' menu consisting of products produced in this state in the wintertime, which we ran as a $15.95 prix-fixe dinner. We had menu items from each of the state's eight counties, even ale from New Haven. There was fresh trout from a trout farm here, game pie — venison and rabbit — and a whole host of vegetables.

"We had to set up reliable sources for each of these.

*(See **COMPUTER**, page 45)*

Finding the reason behind lost beverage sales

BEER, WINE & SPIRITS
MORT HOCHSTEIN

The cartoon character Pogo said it many years ago: "We have met the enemy, and he is us." Translate that to on-premises sales today, and it means, Don't blame the public for lost beverage business; maybe you're the one who's dropped the ball.

A good example is an experience I had at a restaurant in the Berkshire Mountains in western Massachusetts recently. We'd stopped at a fine restaurant, were told we'd have to wait and went to the bar. The bartender's "What'll you have?" was as close as we got to any beverage alcohol salesmanship the entire evening.

The waitress at our table certainly made no suggestions although someone did place a wine list on the table so discreetly that I almost didn't find it. Don't even think to ask if anyone suggested an after-dinner drink.

That was my experience. Jerry Greenstein, director of on-premises marketing for the House of Seagram, could write a book about the shockers he's come up against in the past year. He is, in fact, rewriting the book on beverage alcohol marketing, and some of his suggestions are so practical that you have to wonder why no one put these ideas together before now.

Take room service with a typical spirits list, $65 for scotch, $45 for bourbon, $35 for rye. Geenstein asks management how many bottles they sell. At those prices, very few.

Greenstein's approach is "Why have it in the menu if it doesn't sell?" Perhaps you're offering the wrong size of beverage alcohol. Why not think about marketing, say, a 200-milliliter bottle of rum with a bowl of shrimp and some coke, or VO or Canadian with a bowl of chips or nuts? Hotel executives have bought that idea eagerly — why didn't someone suggest it before? — and it's paying off now for several groups.

But what about those shockers he's come across? Forget servers who don't offer drinks or attempt to trade up customers.

What about waiters who don't know the difference between scotch and single malts, Chardonnay and Chablis or the price of a VS Cognac compared with a VSOP? What about management that buries small drinks in large glasses and serves large drinks in small glasses and makes a Manhattan with Canadian Mist in one outlet, with Early Times in another and Jim Beam in a third location?

Greenstein and his crew have run into all of those and more in audits they've done for hotels and fine-dining chains as part of what they call the ABS system. That stands for alcoholic beverage strategy, and their program, which exemplifies the supplier's role as a partner in today's market, involves a huge research job that produces recommendations to improve beverage alcohol sales.

Given complete access to sales figures and operating data, Greenstein's crew asks tough questions, examines the entire operation and develops a strategic plan for each concept within a hotel chain or restaurant group.

For example, in the ABS system, a fine-dining restaurant should be heavily skewed toward premium spirits with a large selection and a well-rounded wine list. In a hotel's three-meal dining concept, premium beverages play a lesser role, but there are definite opportunities for specialty drinks.

The overall strategy emphasizes a few key points we all know but often fail to put together and implement correctly.

- The emphasis must shift from multiple drinks per customer to selling more customers and trading up.
- Merchandising value added will become a key tactic, and utilizing premium brands will reinforce that perceived value.
- The consumer must be directed to the category and product selection that management wants to sell. Servers must be schooled in recognizing and recommending the most profitable categories and brands and skilled in trade-up techniques.

The second part of Greenstein's Anti-Bad Sales strategy emphasizes pre-dinner and post-dinner sales by menu engineering featuring separate drink menus for each stage.

"You walk into a fine-dining establishment," says Greenstein, "and often there's no bar in sight. How do they market beverage alcohol?

"Is it in the dinner menu? No. In the appetizer menu? No. In the dessert menu? No. Where is it? The only effort is a server possibly asking, 'Would you like a drink?' They've effectively abandoned marketing of alcoholic beverages.

"We've studied what triggers a purchase, and we're finding that the use of a menu handed to a customer increases the probability of purchase."

So Seagram now offers 60 menu shells, eventually as many as 150 color menus with sporting, seasonal, holiday, touristic, patriotic and gourmet approaches, each featuring a line of classic cocktails geared to specific restaurant concepts.

"We haven't reinvented the wheel," Greenstein observes. "We have simply dissected key areas involved in beverage alcohol programs, examined marketing and operational issues, and come up with programs that will improve sales and margins."

Wine of the Week

1988 Louis Martini Pinot Noir Los Carneros Napa Valley

It's drinking well now, but give this one another two years and it'll be a beauty — a well-balanced, smooth wine with intense, long-lasting flavors. The nose has notes of mint, coffee and strawberries. A fine Pinot from a consistently good winery. About $70 a case wholesale.

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SECOND CLASS

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High-flying Azalea partners unveil suburban Pacifica

by Jack Hayes

DULUTH, Ga. — Roused by the success of their Asian-American-Mediterranean-fusion concept, Azalea — which grossed $2 million in its first year catering to well-heeled residents of suburban Buckhead — Thomas Catherall and Todd Kane will launch Pacifica this week in Gwinnett County, 30 miles north of downtown Atlanta.

Spending somewhat more than $500,000 to renovate the 3,600-square-foot space that formerly housed a tablecloth restaurant called Boni's, Catherall and Kane are projecting annual sales of $3 million on average lunch and dinner checks of $12 and $28, respectively.

Pacifica is located in a retail annex that is adjacent to Gwinnett Place regional mall, facing the newly opened Mick's casual neighborhood restaurant, a concept owned by Atlanta-based Peasant Restaurants Inc.

"The only people questioning why we're here are the people from Buckhead, but we believe we'll create a market," said Catherall, the master chef who won the 1990 American Seafood Challenge in New Orleans during his stint as execu-

(See PACIFICA, page 88)

PACIFICA
Pacifica

The opening team at Pacifica. From left: Sam Fallaw, general manager; Richard Mendoza, chef; Todd Kane, managing partner; and Thomas Catherall, executive chef and partner.

Operators hit with barrage of new taxes

by Peter Romeo

Lawmakers from coast to coast are cutting into restaurants' profits by bombarding operators with additional taxes and government fees.

"It's happening all over," said Rick Walsh, vice president of government relations for General Mills' Red Lobster and Olive Garden dinner-house chains. "When you get in a recession, tax revenues start drying up because sales and income drop. They're trying to make it up with more taxes."

Most of the additional assessments are the sort that affect the whole business community: corporate income tax increases, sales tax hikes, utility fees, payroll surcharges and so on.

But many state and local governments are trying to squeeze a few more dollars out of restaurants by raising the fees for permits and government approvals needed to operate a foodservice outlet.

In North Carolina, for instance, restaurateurs are now charged an annual fee of $25 to fund inspections by state sanitation officials. Initially officials wanted to charge $150, or $2.25 per seat if that sum was higher.

Facing a $1.2 billion budget deficit, politicians there are eyeing such other revenue-boosting measures as raising the fees for wine and beer sales permits by 100 percent; increasing the permit fees for restaurant billboards and other outdoor advertising by 900 percent, to $200; and extending a sales tax on soft drinks to cups of coffee and tea.

"They've hit us on everything," said Jerry Williams, executive vice president of the North Carolina Restaurant Association. "We had a tax free-for-all down here. State, local and county government put out every fishing pole they had to

(See LEGISLATORS, page 88)

Florida restaurateurs drive for efficiency to outlast 'off-season'

by Jack Hayes

ORLANDO — Struggling to maintain profits in a feeble economy, restaurateurs from Miami to Tallahassee are on a do-or-die drive for efficiency — restructuring the purchasing, production, marketing and service aspects of their operations to boost margins until the more lucrative tourist season shifts into gear later this fall.

Wielding their cost-cutting knives not haphazardly but aggressively, most restaurateurs interviewed at the 1991 Southeastern U.S. Foodservice Expo said profits would have to come from the implementation of operational efficiencies while they themselves wait for customers to start spending again.

"Efficiency is No. 1," said Beirne Brown, 1991 Florida Restaurant Association president and president of Naples, Fla.-based Cuisine Management, which owns six restaurants along the Gulf coast.

Brown, who moderated a round-table seminar on fine dining during the Expo, said most operators agree that reducing expenses becomes essential once sales-building tactics are tried and exhausted.

In fact, operators in every service segment, from fast food to white tablecloth, are poised lean and mean as they watch for signs of economic recovery — which is no surprise after a two-month traffic slump last spring following a decade of high-flying statewide growth.

"When you've tried every-

(See FLORIDA, page 89)

McD 'Leaps & Bounds' into child recreation business

by Richard Martin

NAPERVILLE, Ill. — McDonald's Corp., stung by domestic sales declines and fast-food discounting warfare, is taking its first-ever leap into a business niche unrelated to the burger empire's restaurant format or Golden Arches brand identity — the fledgling indoor-playground field.

LEAPS & BOUNDS™

The company's split-level, 11,000-square-foot Leaps & Bounds prototype is replete with elaborate slides, play gear, non-video games, party rooms, a 350-foot-long suspended tunnel and a physical-fitness coaching staff trained to monitor children ages 1 through 10. The recreation center is scheduled to open this month in a year-old strip mall in this suburb west of Chicago.

Leaps & Bounds will include a snack bar, but it will serve turkey hot dogs, granola bars, fresh fruit, juices and pizza instead of hamburgers and french fries. The overall concept "focuses on the play areas, not on the food service," said McDonald's spokeswoman Terri Capatosto, adding that the venture's "light-snack concession is not intended to be a restaurant."

She said the recreation-center prototype, which won't project any discernible affiliation with McDonald's, would

(See MCD, page 89)

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Vol. 25, No. 35 September 9, 1991

NEWS BRIEFS

Calif. operators likely to see legal costs rise

SACRAMENTO, Calif. — California's independent restaurateurs and other small business owners could see their legal bills skyrocket if a state agency is permitted to award damages in workplace discrimination cases.

Senate Bill 827 would empower the state's Fair Employment & Housing Commission to award up to $200,000 in damages in workplace discrimination cases. Under the current system, the commission can only order employers to reinstate workers with the appropriate back pay, benefits and promotions. Employees who believe they are entitled to additional monetary damages can secure an attorney, often on a contingency basis, and take the matter to court.

Jo-Linda Thompson of the California Restaurant Association said S.B. 827 was approved by the Senate and the Assembly Ways & Means committee and was expected to win the approval of the full Assembly and the governor.

Because the liability of employers at the commission level is now somewhat limited, some small business owners feel they can afford to contest unfounded discrimination charges without the help of labor attorneys, who often charge $200 to $300 an hour. Thompson said that if the commission is permitted to award damages, small business owners will have to hire an attorney at the outset of any discrimination proceeding regardless of its merit.

S.B. 827 is not expected to hurt large companies with inhouse legal counsel and sophisticated human-resources departments to the same extent as smaller businesses.

Commerce Dept. suspends fishing of red snapper

WASHINGTON — The U.S. Commerce Department has suspended commercial fishing for red snapper until Dec. 31, spurring restaurateurs who feature the species to switch to alternative fishes.

Commerce's National Oceanic and Atmospheric Administration imposed the ban to replenish red snapper schools, which have been depleted in recent years by the growing popularity of the fish.

Meanwhile, a Massachusetts congressman has introduced federal legislation to reduce the number of flounders and other "ground fishes" that can be taken from the waters off New England. Rep. Gerry Studd's bill aims to restock the once-fertile fishing grounds off the Massachusetts coast.

11 El Pollo Loco franchisees sue TW for $90 million

IRVINE, Calif. — Eleven El Pollo Loco franchisees are suing the Irvine-based chicken chain's parent firm, TW Holdings Inc., for at least $90 million in damages over its alleged failure to support marketing, product development, volume purchasing and expansion programs adequately.

In the lawsuit filed in Orange County Superior Court, the franchisees contend that 13 of their 49 grilled-chicken outlets have closed as a result of the franchisor's shortcomings, including its inability to maintain a growth pace that would enable the chain to reach a goal of 500 fast-food restaurants by 1992.

El Pollo Loco, which grew rapidly in Southern California but not in expansion markets, currently has 117 company-owned and 101 franchised stores.

In published reports, James C. Verney, El Pollo Loco's chief operating officer, acknowledged the difficulties faced by some franchisees but described the lawsuit as meritless. The suit asserts that Spartanburg, S.C.-based TW Holdings slighted El Pollo Loco and favored its sister chain, Denny's, after acquiring both outfits in 1987.

BK replaces boxes with recyclables, rolls curly fries, barbecue sandwich

MIAMI — Burger King Corp. is replacing its coated-paper sandwich boxes for more easily recycled paper wraps.

Called "earthhappy packaging," the new paper is expected to reduce the Miami-based burger chain's waste disposal by up to 15,000 pounds per year, the company said.

BK's traditional bleached-paper food bags will also be replaced gradually with sacks made from recycled newsprint.

At the same time BK rolled two new menu items as part of a recurring, short-term promotion program.

One of the additions, the Bull's Eye Barbecue sandwich, continues the company's current strategy of developing menu items that incorporate well-known branded products. In this case the sandwich is prepared with Bull's Eye Barbecue sauce.

The sandwich, which consists of two hamburger patties, bacon, cheese and the barbecue sauce on a bun, is receiving heavy television support that will continue through the end of the summer.

Burger King has also launched Twister Fries, a curly french fry product. As part of an in-store promotion only, the company is selling the new fries for $1.29 in a medium-sized soda cup with a medium-sized soda.

Company spokesmen said both items are limited, short-term promotions that will be periodically introduced.

Terczak opens grazing concept called Ketchup

CHICAGO — John and Linda Terczak are opening a lighthearted grazing concept, Ketchup, next door to their home-style-cooking eatery, Terczak's.

The 60-seat restaurant and bar are decorated in a spirit of fun. The walls are painted the color of ketchup, accented with black sponge marks. Bar stools are covered in fabrics featuring Dick Tracy, Teenage Mutant Ninja Turtles, Bart Simpson and Batman.

The menu includes gourmet pizzas priced between $5 and $8; pastas from $3.50 to $7; salads from $2 to $7 and meat loaf, chicken and steak sandwiches from $3.50 to $7. Spaghetti ice cream, processed through a pasta press, with fruit puree is a signature dessert.

In anticipation of attracting the late-night crowd, Ketchup is open from 5:30 p.m. to midnight weeknights and till 1 a.m. weekends.

The Terczaks also own Tamales, a casual Mexican and South American restaurant, in a nearby North Side neighborhood.

New unit formed to handle McD's advertising efforts

NEW YORK — The Interpublic Group of Cos. will consolidate $100 million in advertising for McDonald's Corp. at a new unit created to handle local franchisee advertising efforts and the chain's growing foreign advertising drive.

Interpublic said it would shift about $80 million in billings for McDonald's domestic franchisees to McCann-Erickson Universal Group, a new unit of McCann-Erickson North America New York.

The new unit will also handle about $20 million in McDonald's advertising in 10 countries.

Thomas Lawson, the president and chief executive at Laurence, Charles, Free & Lawson — the company that has created McDonald's local advertising since 1974 — has been named managing director of the new unit as well as the agency's worldwide coordinator of McDonald's business and executive vice president of McCann-Erickson North America.

Philip H. Geier, Interpublic's chairman and chief executive, said the consolidation offers McDonald's a more comprehensive network of offices to serve its franchisees.

Restructuring plan approved for Trump's Taj Mahal

CAMDEN, N.J. — A bankruptcy court judge here granted approval to Donald Trump's Taj Mahal Casino in Atlantic City for a plan that would restructure its debt by giving up half of the developer's equity in the property.

The approval, which came six weeks after the Taj Mahal filed for Chapter 11 bankruptcy protection, gives the bondholders equity in exchange for their acceptance of lower interest rates.

FINANCIAL NEWS

Buffets Inc. profits jump despite slowed economy

EDEN PRAIRIE, Minn. — Buffets Inc. steamed right along through the second quarter, posting a healthy 31-percent increase in net earnings, to $3 million, on a whopping 40-percent jump in sales, to $47.3 million.

The company, operator of 105-unit, all-you-can-eat, self-service Old Country Buffet chain, bucked both the recession and the Gulf war impact — factors that battered many of its competitors — in posting a strong first half.

For the 28-week period ended July 17, net earnings rose 22 percent, to $5.5 million, on a 34-percent jump in sales, to $100.4 million.

The company, which operates in 18 states, owns 99 restaurants and franchises six.

Value-oriented Old Country Buffet may be enjoying some of its gains in customer traffic and sales from the cafeteria chains, which are still struggling to halt sales erosion.

"The cafeteria segment is being battered by demographic changes," said analyst Bryan Elliott of The Robinson-Humphrey Co., Atlanta. 'Cafeterias just haven't figured out how to attract the aging flower children. Traffic counts and market share are both declining."

"Buffets has been . . . an interesting juxtaposition," Elliott said, "moderate prices, a full range of offerings — and a shrewd site strategy."

Old Country Buffet has managed to make money on a formula centered around low prices and an all-you-can-eat format.

"One of Old Country Buffets' advantages is that they reserve the right to limit how much a customer takes," said Robinson-Humphrey's Elliott. Thus they can discourage "cannibalizing" and still offer an attractive buffet selection, he added.

"When the wrestling team comes in, they can give them a hard enough time so that they don't come back," Elliott said, joking.

Buffets is continuing to expand rapidly, opening an average of two new restaurants per month this year throughout the South and Midwest.

The 7-year-old company opened four restaurants during the second quarter, in Toledo, Ohio; Columbus, Ohio; Bridgeville, Pa.; and Newport News, Va. Two more units have opened since the quarter ended, with another 13 company restaurants expected by year-end.

Copeland Enterprises hammered by interest expenses in 2nd Q

JEFFERSON, La. — Al Copeland Enterprises, operator of the Popeyes and Church's fried-chicken chains, reported a $7 million loss for the second quarter ended June 16.

In the year-ago period, the company lost $4.7 million.

For the most recent quarter, revenues fell 14 percent, to $101 million.

In a debtor-in-possession securities filing, the company attributed the losses to interest expenses linked to the 1989 acquisition of Church's and costs incurred in the company's restructuring.

> For the most recent quarter, revenues have fallen 14 percent, to $101 million.

Interest expenses totaled $8.8 million for the quarter and $20 million for the first six months of the fiscal year. The company said it had spent $2.6 million to restructure in an unsuccessful attempt to stave off bankruptcy.

At the half-year mark, ACE said it lost $17.1 million on a 13-percent decline in revenues, to $221.9 million. It lost $13.9 million during the first half of fiscal 1990.

Revenues fell partly as a result of operating 73 fewer restaurants than ACE did a year ago, the company said.

FOOD PRICE OUTLOOK

Bumper crops reported in new harvest

by Patt Patterson

As harvesting progresses throughout the country, one hears reports of some commodities that will be in good supply from bumper crops. The **apple** crop this year, according to the U.S. Department of Agriculture, will be the largest since that of 1987, up 4 percent over last year's. The USDA report represents an increased estimate for Washington state apples, where improved weather had boosted the forecast.

Peanut prices, one hopes, will drop a bit as the result of the largest acreage since 1951 and an outlook for strong yields. Forecasts are for a crop that will be more than 40 percent higher than last year's and may reach the record set in 1984 . . . Looks like lots of **pecans** this year; quality is the only unknown now.

Potato production this summer is up a bit overall, with tonnage down in the East but up in the West. Altogether, supplies slightly larger than last year's should be available . . . The **dry-bean** harvest may fall about 4 percent lower than last year's — which was a bumper year — but will be more than 30 percent above that of 1989.

Lettuce of all types, iceberg and leaf, are still at the lowest seasonal prices despite a little run-up in mid-August — which didn't last long. Romaine is showing some increase in price . . . **Celery** prices are down on large supplies . . . **Strawberry** supplies have been good all season. Fresh prices are low, and the frozen pack is up 12 percent over last year's. Mexican imports are down about 14 percent, but lowering frozen strawberry prices are showing the effects of the strong California pack.

On the short side: **Tomato** deliveries to packers are running far behind last year's at this time, but tomato harvesting has been late because of cool weather in spring and early summer . . . Both canned and frozen peas are in shorter supply than usual.

The ripe **olive** pack is expected to be short this year, an off-year for the trees, exacerbated by freeze damage last Christmas . . . Canned **pears** will be in shorter supply . . . Cling **peach** supplies will be shorter, with fewer imports and more exports of a smaller California pack.

FACT FILE

HOTEL CHAINS RANKED BY U.S. FOODSERVICE SALES

1991 Rank	1990 Rank	Chain	Fiscal Year Ends	Systemwide Sales (By Fiscal Year, In Millions)		
				Current*	Last full	Prior
1	1	Marriott Hotels & Resorts	Dec. '91	$1,286.0	$1,216.0	$1,106.0
2	2	Sheraton Hotels	Dec. '91	1,132.0	1,046.0	903.7
3	3	Hilton Hotels	Dec. '91	1,020.7	940.7	841.2
4	4	Holiday Inns	Dec. '91	595.1	573.9	547.4
5	5	Hyatt Hotels	Jan. '92	407.8	381.9	350.5
6	6	Radisson Hotels	Dec. '91	400.0	350.0	278.0
7	7	Ramada Inn	Dec. '91	381.9	335.1	328.2
8	8	Westin Hotels	Dec. '91	304.8	291.4	285.6
		TOTAL:		$5,528.3	$5,135.0	$4,640.6

Source: NRN Research

*Projected

FINANCIAL DIGEST

Lower costs double Bertucci's 2nd-Q net

WOBURN, Mass. — Bertucci's Inc., an Italian-themed dinner-house operation here, reported a 112-percent gain in net income, to $548,000, on a 26-percent gain in revenues, to $8 million, for the second quarter ended July 13.

In its first earnings statement since going public in July, Bertucci's said tighter controls on expenses and sharply reduced food costs fueled the earnings growth.

At the half-year mark, Bertucci's net income was $1.2 million, for an 82-percent jump, and revenues were $17.9 million, up 30 percent.

Bertucci's operates 21 full-service dinner houses specializing in brick-oven-baked pizzas.

Bob Evans' 1st-Q net income rises 7%

COLUMBUS, Ohio — Bob Evans Farms' restaurant division reported a 7-percent increase in net income, to $7.2 million, on a 10-percent gain in revenues, to $99.3 million, for the first quarter ended July 26.

The company said revenues grew as a result of sales contributions from four new restaurants opened during the quarter.

Bob Evans said its diversification would begin later this month when it breaks ground for Cantina del Rio, the company's Tex-Mex entrant in the casual dinner-house market.

Meanwhile, Bob Evans said it intends to improve same-store sales with a new dinner menu made up of weekday daily specials that include open-face roast beef sandwiches. The new menu will be targeted to adults and young families with children.

Del Taco looses $201K in 2nd Q

ATLANTA — Del Taco Restaurants said a program to reduce overhead failed to stem a $201,000 loss in the second quarter ended June 26.

Revenues slid 14 percent, to $11 million, during the period.

The company said it initiated a program to reduce overhead and other operating expenses late last year, but the cost reductions were not strong enough to offset the faster decline in sales.

Sandwich Chef's net rises 20% for F 91

MEMPHIS, Tenn. — Sandwich Chef said its net income rose 20 percent, to $760,000, on a revenue game of 11 percent, to $41.3 million, in the fiscal year ended June 29.

During the year, Sandwich Chef opened 19 stores systemwide and closed or sold 18 poorly performing units.

The shuttering of several underperforming stores and margin improvements from newer units helped Sandwich Chef post a 32-percent increase in fourth-quarter profits, to $313,000, on a 13-percent gain in revenues, to $11 million.

Opening expenses yield loss for Eateries

OKLAHOMA CITY — Although Eateries Inc.'s revenues increased 16 percent, to $3.4 million, the company said it lost $78,000 for the second quarter largely as a result of onetime charges related to opening four of its Garfield's Restaurants & Pubs.

The loss compares with an $18,600 profit in the year-ago quarter.

At the half-year mark, Eateries lost $43,700 on a 21-percent increase in revenues, to $6.6 million.

Along with Garfield's, Eateries also operates Dugout Sports Bar & Grill restaurants.

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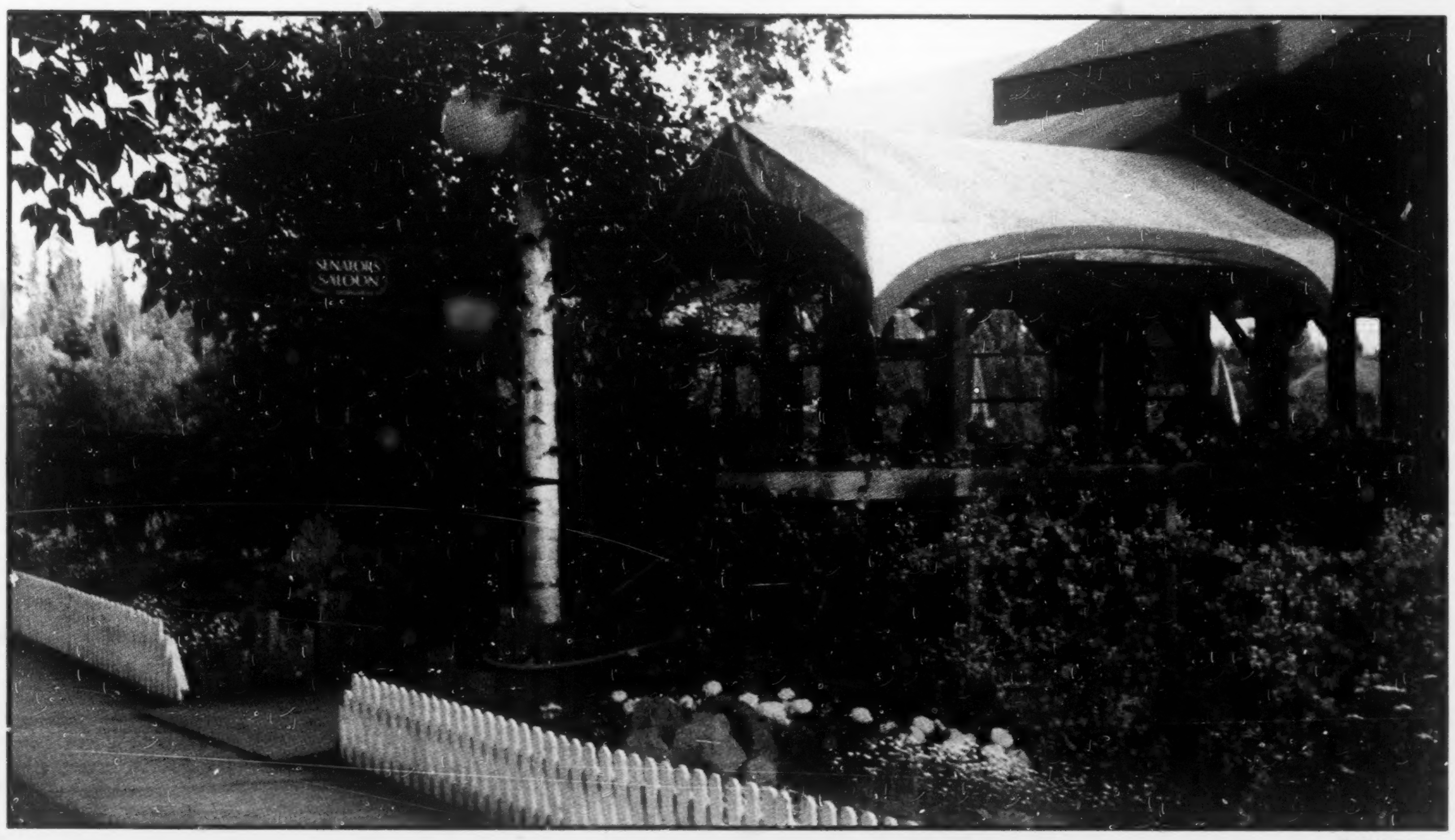


NRN Photo

During Alaska's sunny growing season, the garden outside Pump House in Fairbanks is in full bloom. Sea Galley Stores of Seattle has just bought this landmark restaurant. ***See story on page 4.***

Alaska operators grinning after great tourist season

by Carolyn Walkup

ANCHORAGE, Alaska — Taking a hint from the Alaskan grizzly bear's survival instincts of preparing for hibernation, restaurant operators in Alaska's largest city are settling in for a comfortable winter slowdown following a record summer tourist season.

Sales for the year to date are up between 20 percent and 30 percent at Simon & Seafort's Saloon & Grill, the Anchorage outpost of Seattle-based Restaurants Unlimited, according to Michael Hurst, general manager.

"We are one of the few states where the Gulf War helped us more than it hurt us," Hurst noted, suggesting that many travelers making vacation plans during the war chose Alaska as a safe vacation destination.

Tourists made up about 60 percent of summer customers at

*(See **ALASKA**, page 4)*

Contractors nab business behind bars

Work to crack tough but growing correctional foodservice business

by Robin Lee Allen

NEW YORK — As the economy continues to shrink business and industry foodservice accounts, contract feeders are shifting their sights to prisons, where government budget cuts and a rapidly growing inmate population are creating new opportunities.

But taking advantage of the burgeoning correctional foodservice market is not easy. Costs associated with employee training and insurance can be prohibitive for smaller contract companies trying to enter the potentially dangerous arena.

And once a contract is won, extracting a profit from the shriveling funds available requires foodservice directors to shrewdly streamline production operations that already

*(See **CONTRACT**, page 99)*

INSIDE

Let operators stick to what they do best
NRN Editorial/Page 39

Meet the '91 Golden Chain award winners
Pages 48-64

Olive Garden targets takeout with 'To Go'

by Peter O. Keegan

ORLANDO, Fla. — Aiming to lure time-strapped consumers who want restaurant-quality food, The Olive Garden is jumping into the booming takeout market with a new service called "To Go."

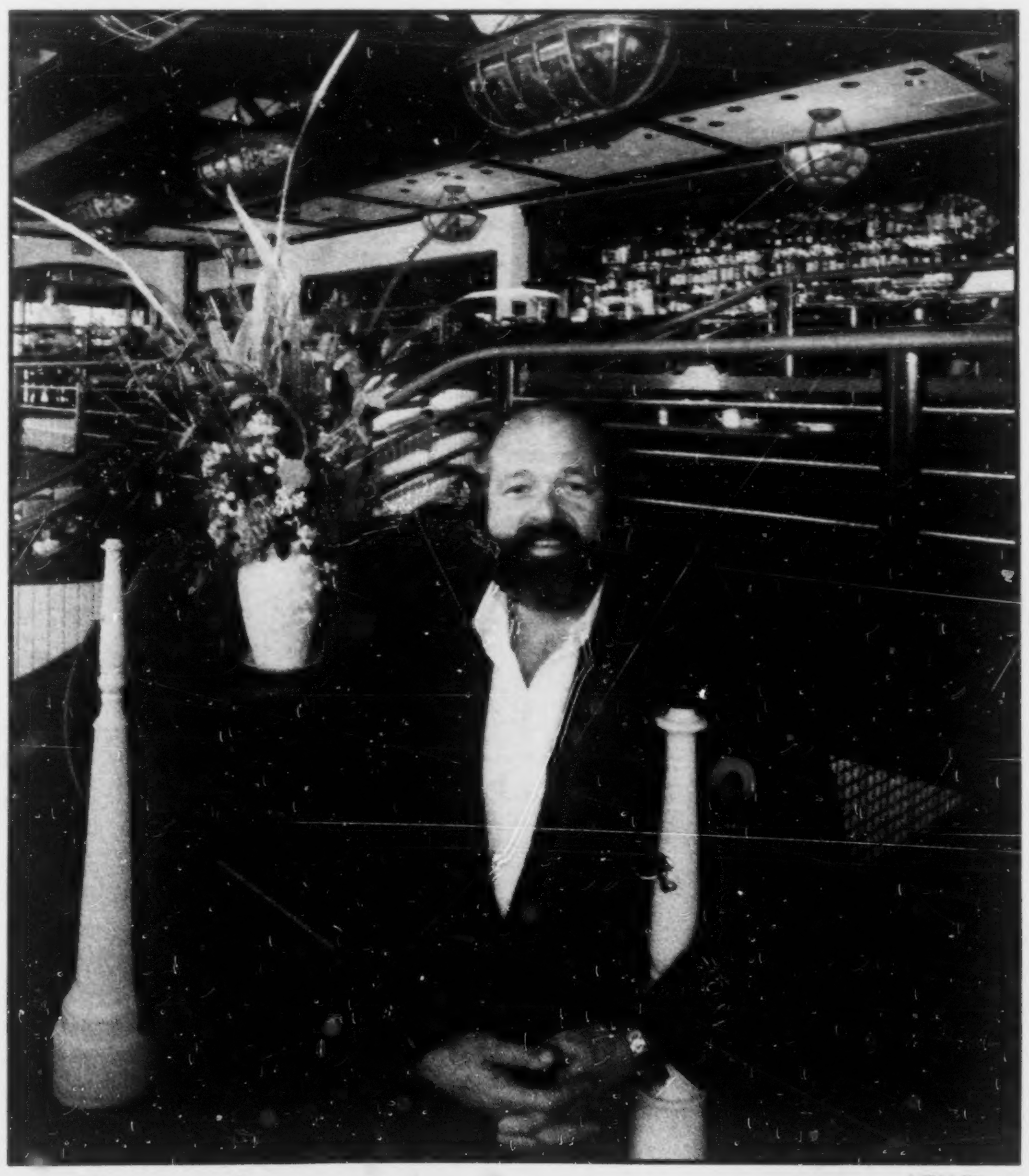
General Mills Restaurants' casual Italian powerhouse is offering the service to any Olive Garden general manager who wants to add it.

Prepared items from the regular menu will be sold alongside uncooked pasta, sauces and other retail items in the front of the restaurants.

The pasta maker, who is one of the first persons guests view upon entering the restaurant, will be the "maître d'" of takeout. He or she will take phone orders, give out information on what is available, ring up checks and make pasta when needed.

"Everybody is so out of time these days and many people are eating at their desks," said Anne K. Powell, media communications director for The Olive Garden, adding that many units have expressed interest in the service. Restaurants located near high-density areas, office buildings, apartment complex-

*(See **OLIVE GARDEN**, page 98)*



NRN Photo

Pat Kuleto at the new McCormick & Kuleto's restaurant.

McCormick & Kuleto's off to good start in Fog City

by Alan Liddle

SAN FRANCISCO — Designer Pat Kuleto and restaurateurs Bill McCormick and Doug Schmick are betting that their newly opened McCormick & Kuleto's restaurant has avoided some of the pitfalls that tripped up former occupants of the sprawling Ghiradelli Square site.

After spending $3 million to develop the 20,000-square-foot operation, the three foodservice veterans are confident that the restaurant's horizon-filling views, contemporary maritime decor and moderately priced seafood menu will attract both a local following and the square's bustling tourist popu-

*(See **MCCORMICK**, page 99)*

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NEWS BRIEFS

Chi-Chi's franchisee Consul files for Chapter 11

MINNEAPOLIS — Consul Restaurant Corp., a 41-unit Chi-Chi's franchisee in the United States and Canada, has filed for Chapter 11 bankruptcy protection from its creditors.

Consul, which lost $10.1 million in fiscal 1991, primarily because of restaurant closings, said sales have been depressed for months by economic conditions in the United States and Canada. In a statement the company also said Canadian business was severely affected by a 7-percent goods and services tax that was enacted last January.

Consul added that its Canadian Subsidiary, Concan Foods Ltd., would soon close more of the 17 Mexican-themed dinner houses it operates there.

Marriott to develop Taco Bell units in contract venues

WASHINGTON — Marriott Management Services has signed a licensing agreement with Irvine, Calif.-based Taco Bell Corp., giving it the right to prepare and serve Taco Bell products at many of its contract foodservice accounts nationwide.

Under the agreement, Marriott Management, the contract-feeding arm of the Washington, D.C.-based Marriott Corp., will install Taco Bell express kiosks and free-standing carts at about 2,000 of its business, education and health-care accounts.

Within the past few weeks, Marriott Management has begun operating Taco Bell outlets at George Mason University in Fairfax, Va., and Indiana State University in Terra Haute, Ind. Several more are now under development, officials said.

Seven Taco Bell units are now operated by Host/Travel Plazas, another of Marriott Corp.'s divisions, and five are being developed under that division's jurisdiction.

Domino's, BK end year-long joint pizza test

COLUMBIA, S.C. — Domino's and Burger King have ended their year-old joint test to sell Domino's branded personal pan pizzas through BK outlets located here.

Spokesmen for the nation's second-largest pizza chain and second-largest burger chain said the test ended through mutual agreement, but would not elaborate.

"It just came to an end," said Wendy Lester, a BK spokeswoman, "and we're going to evaluate the results.

"But we remain committed to pizza and are looking at other alternatives."

The test began last summer in four BK units and was expanded to 15 outlets in Columbia, S.C. In most units employees' uniforms bore both BK and Domino's insignia.

Bush sending agricultural experts to USSR

WASHINGTON — In a move that could ultimately ease American restaurateurs' entry into the Soviet Union, President Bush has dispatched agricultural experts to the U.S.S.R. to recommend ways of improving that nation's food production and distribution systems.

The effort could spare U.S. operators from the supply headaches encountered by pioneers like McDonald's, which had to develop food-processing facilities and otherwise blaze its own supply network before it could open a unit in Moscow.

Bush administration officials have indicated that the two teams sent to advise the Soviet Union will look specifically at ways of streamlining the nation's distribution methods.

Sizzler's foreign thrust advanced by Scott's pact

LOS ANGELES — Sizzler International Inc., operator and franchisor of the 690-unit Sizzler chain, said it signed a 50-50 joint-venture pact with Toronto-based Scott's Hospitality Inc. to open and operate a total of 75 Sizzler restaurants in Canada.

Sizzler's deal with Scott's — Kentucky Fried Chicken's largest franchisee, with 379 units, and the owner of the 101-unit Manchu Wok Chinese-food chain — would further the Los Angeles-based company's strategic plan to launch the majority of its new restaurants outside the sluggish U.S. market over the next three years. It currently has five restaurants in Canada franchised to other companies.

Chicago considers limits on mobile food vendors

CHICAGO — A City Council committee is recommending that curbs be placed on mobile food vendors to keep them from parking near restaurants.

The new proposal would stop the sellers of fast-food items, such as pizza, from parking within 200 feet of restaurants. However, the amount of time they could park in a legal site would increase from one-half hour to two hours.

Some members of the Illinois Restaurant Association complained to city officials that the mobile vendors were interfering with their business. The full City Council is expected to approve the committee's recommendations.

Nebraska's Kerrey expected to make presidential bid

WASHINGTON — The restaurant industry may see one of its own running for the presidency in 1992, with Sen. Bob Kerrey widely expected to toss his toque into the ring in late September.

The Nebraskan Democrat operates several restaurants in his home state.

Kerrey, 48, has been mentioned for some time as a possible presidential candidate for the Democratic Party. He has neither confirmed nor denied that he intends to seek the nomination. However, he recently indicated that he will announce in September whether or not he will run.

Pizza Hut negotiating for Orlando licensee

WICHITA, Kan. — PepsiCo-owned Pizza Hut is negotiating to buy Semoran Management, a 56-unit Pizza Hut franchisee based in Orlando, Fla.

Although terms of the deal were not disclosed, a spokesman for Semoran Management confirmed that talks were under way, and that "if all goes well" a deal would be finalized before the end of the year.

Pizza Hut confirmed that a letter of intent for a "merger" between the two companies had been issued, but would not elaborate.

Boston Chicken shutters Atlanta operations

ATLANTA — Thirty-one unit Boston Chicken, the rapidly expanding Brighton, Mass.-based rotisserie chicken chain, has closed its Southeastern divisional office and its only restaurant in this Sunbelt market.

Open less than six months, the 3,000-square-foot Boston Chicken store reportedly was not meeting expectations.

One of the nation's toughest rotisserie chicken markets, Atlanta has two strong local operators — four-unit Tanner's and two-unit Chicken Chalet — and at least three other single-unit independents.

San Diego cops barred from 19 generous cafes

SAN DIEGO — Police Chief Bob Burgreen has ordered his on-duty officers not to patronize two coffee shops and all 17 Sizzler restaurants in the county because they had provided free or discounted food or beverages to police.

In letters sent in February, Burgreen warned Topsy's, the Seven Seas and the Sizzlers about department policy forbidding officers from accepting discounts or gratuities. A department spokesman said internal memos in July and August that announced the prohibitions were necessitated by the need to maintain ethical standards and because the restaurants had been "unwilling" to honor the policy.

Sizzler officials vowed that 20-percent and 50-percent discounts given by three of the chain's restaurants had been discontinued. Police were given 50-percent discounts by Topsy's and reportedly were given free coffee by the Seven Seas.

FINANCIAL NEWS

Tighter cost controls boost Bertucci's income

by Theresa Howard

WOBURN, Mass. — In its first earnings statement since completing an initial public offering, Bertucci's Brick Oven Pizzeria reported a 112-percent year-to-year boost in net income for the second quarter ended July 13.

Net income rose to $546,000 on a 26-percent revenue increase, to $8 million. Same-store sales, or sales at units open at least 12 months, were up by 1.5 percent for the quarter.

Although the 23-unit Italian chain's cost of sales was up, to $2.1 million from $1.8 million, cost of sales was down as a percentage of sales.

"Bertucci's is very appealing from a price value standpoint, said Roger Lipton, managing director for Ladenburg, Thalmann & Co. Inc.; a New York-based investment research firm. The restaurant's per-person check averages $7.20 at lunch and $9.40 at dinner.

"Of course, the big test will be their expansion as they move further away from Boston," Lipton said.

Currently the chain operates throughout Massachusetts, New Hampshire and Rhode Island. Long-term expansion plans aim to open units as far south as Florida, according to company president Joey Cruganale.

So far, the company is on target with scheduled openings. Two units have been opened since May, and four more are slated to open by fiscal year ending Dec. 31. The first Connecticut Bertucci's is expected to open later this month.

"The care with which Bertucci's selects its restaurant locations and executes its expansion strategy has been reflected in the performance of its restaurants," said Michael Mueller, restaurant analyst for San Francisco-based Montogomery Securities.

Mueller said he expects the company's 220-seat unit in Peabody, Mass., to be the chain's most profitable unit. That restaurant already has far exceeded projected sales. During its first week of operation, in May, the Peabody unit tallied $100,000 in sales compared with projected sales of $40,000, said Norman Mallett, Bertucci's chief financial officer.

> "Bertucci's is very appealing from a price value standpoint."
> — Roger Lipton

"We're just starting to level off at $80,000 weekly," Mallett said, noting that the average unit generates $2 million in annual sales.

Aside from a rise in sales, an "overall improvement in costs" has helped secure a healthy second quarter, Mallett said. "A lot of it is just a lower cost of sales," he explained.

Operating expenses dropped to 43.9 percent of sales, compared with a 44.8-percent figure for the same period of last year.

Cheese costs, representing 20 percent of Bertucci's food costs, were low through July. And despite reports that August cheese prices have escalated about 24 percent since April, "we have only experienced a 12- to 14-percent hike," Mallett said.

"I don't know why. Maybe we're just doing a better job shopping around," he added.

The company reduced its operating expenses by about 0.5 percent by forming an in-house maintenance team. Previously the company spent 2 percent to 2.5 percent of sales for a service that cleaned the company's brick ovens, Mallett said. Now two people handle the 23 restaurants at a cost 20 percent below the fees for outside service.

The company's performance and IPO have yielded a "strong balance sheet" for the first half of the year, according to Mallett. The IPO has left Bertucci's debt-free and an estimated $15 million in capital for the company's expansion. Bertucci's is expected to spend $6 million to $8 million next year to develop at least six units.

As part of the financial plans, Mallett said Bertucci's will continue to renovate building sites and lease those locations to maintain a positive cash flow.

Through its IPO Bertucci's grossed more than $24 million on 1.8 million shares at $13 a share. Since going public the company's stock has traded as high as $21.25.

"Bertucci's provides a very functional environment and the food offers very good price value," said Landenburg, Thalmann's Lipton. "Additionally, Joey Crugnale is a very hands-on type of leader and very involved guy."

Crugnale had purchased the Steve's Ice Cream concept and developed it into a 26-unit franchised chain before selling the dessert cafe concept in 1981.

FOOD PRICE OUTLOOK

How long will meat prices stay low??

by Patt Patterson

Both **beef** and **pork** are selling at lower prices than they did a year ago. The drop is not extensive but ranges from about 5 percent to 8 percent. The reason: Larger amounts of cattle and hogs have been delivered to the slaughter houses since the middle of August. Those delivery levels are continuing, but most agricultural analysts say an upswell in supplies is normal for late summer and should taper off in fall — within the next month or so — and prices should gradually move back up to their summer levels.

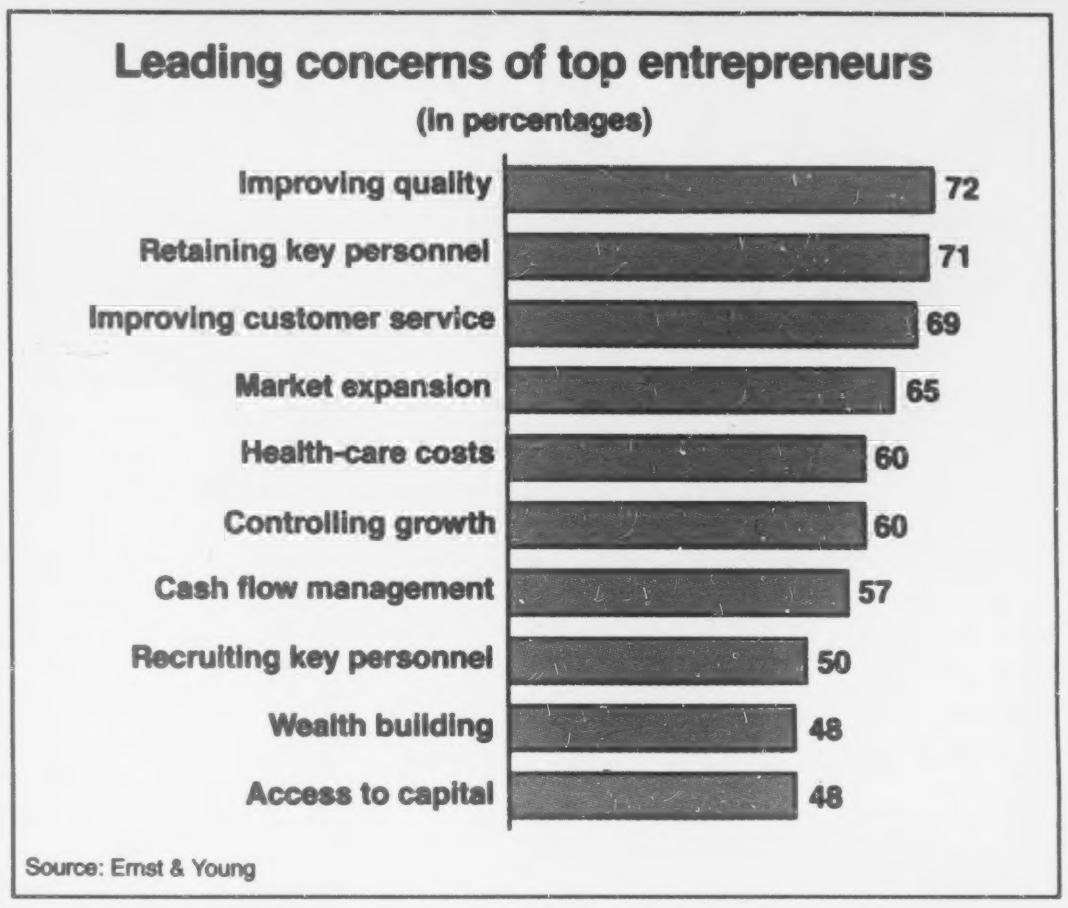
Cheese prices are expected to move up even further during the fall. There's not as much industrial milk available, and the demand for cheese continues to build. Supplies of both Cheddar and Italian-style cheeses are expected to be even shorter by the end of the year. Cheese producers are competing for limited milk supplies with fluid milk, butter and ice-cream processors. With kids back in school, fluid- milk demands are increasing as the demand for ice cream slides from its summer peaks.

Both **coffee** and **cocoa** are down in price from last year's levels; at least the raw materials available to roasters and chocolate manufacturers are. Strong supplies of coffee from Brazil and Colombia are keeping the price of green beans depressed (from the producers' standpoint). There are also large supplies of raw cocoa overhanging the market right now.

How long both of those conditions will continue is largely dependent upon purchases by roasters and processors. The season for coffee roasters to start buying green beans is here, but many of them are well stocked from buys earlier this year when they weren't sure low prices would last.

The supplies of **frozen cod** blocks and slabs — from which sticks and portions are cut — are up. The rise isn't great, but it has taken a little pressure off prices. Cod fillet supplies, on the other hand, are down a bit from the level earlier this summer. Not substantially, but the drop is putting upward pressure on pricing.

FACT FILE



Leading concerns of top entrepreneurs

(in percentages)

Source: Ernst & Young

FINANCIAL DIGEST

Furr's/Bishop's Cafeterias' losses mount

LUBBOCK, Texas — Furr's/Bishop's Cafeterias said its cafeteria operations lost $2.5 million in the second quarter ended June 29 on a 9-percent decline in revenues, to $67.7 million.

In the year-ago quarter, the company lost $2.2 million on revenues of $74.7 million.

Furr's/Bishop's said a non-recurring charge, lower customer visits and the continuing pressures of the recession contributed to its losses and revenue decline.

For the half-year mark, the company said it lost $7.5 million on an 8-percent drop in revenues, to $133.1 million.

Despite the tough results, the company said August unit sales volumes were approaching year-ago levels.

Perkins has no reason for trading volume

MEMPHIS, Tenn. -- Perkins Family Restaurants said it knew of no reason for the unusually active trading of its limited-partnership units.

The company issued the statement after a flurry of trading prompted New York Stock Exchange officials to ask it for an explanation.

In one day 55,800 units were traded, whereas in a normal daily trading volume the amount would be about 9,000 units. During the flurry the unit price fell $2.50, to $15.50, before beginning to climb again.

Perkins Family Restaurants is a limited partnership, and its ownership interest trades as partnership units rather than as shares of stock.

Perkins chief financial officer Michael Donahoe said the company knew of no reason for the volatility, and there were no major developments or news events affecting operations.

Cracker Barrel's annual net jumps 50%

LEBANON, Tenn. — Cracker Barrel posted a 50-percent increase in annual net income, to $22.8 million, on a 17-percent rise in revenues, to $300.2 million, for the year ended Aug. 2.

The company said same-store sales rose 11 percent from the 1990 figure.

For the three months ending the period, Cracker Barrel posted a 42-percent gain in net income, to $9.6 million, on a 27-percent gain in revenues, to $91.7 million.

During the quarter same-store sales jumped 11 percent over the volume for the year-ago period.

The company ended the year with 106 restaurants and said it planned to open 21 during fiscal 1992.

Opening expenses squeeze Cucos' net

NEW ORLEANS — Cucos said its net income for the year ended June 30 fell 17 percent, to $150,000, largely as a result of preopening expenses.

Revenues rose 9 percent, to $14.9 million.

The company said its annual net income was lowered by $164,000 in charges for the opening of company units.

But for the quarter net profits rose 55 percent, to $24,138, on a 3-percent rise in revenues, to $3.6 million.

"Earnings recovered moderately in the fourth quarter of fiscal 1991 from the break-even results recorded in the second and third quarters of the fiscal year," noted Vincent J. Liuzza, chairman and president.

Cucos is a Sonoran-style Mexican restaurant chain that operates 13 company units and franchises 17 restaurants in the Southeast.

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NRN Photo

Vinci's chef-owner Paul and Kathy LoDuca.

Mama mia! Wave of trattorias sweeps Windy City

by Carolyn Walkup

CHICAGO — Just when it seemed that everyone who wanted to open an Italian restaurant in Chicago had done so, a whole new crop is sprouting up and seeds for even more are germinating.

The newcomers claim to feature authentic, simple dishes at moderate prices. Menus emphasize pastas and appetizers, rather than the heavier entrée dishes common in higher-end Italian restaurants around town.

Among the new openings are such trattorias as Centro, owned by Alex Dana; Trattoria Grazie, owned by Graziano Buzzi, former manager of the Chicago Bice; and Vinci, owned by chef Paul LoDuca and his

*(See **ITALIAN**, page 48)*

IFMA forecast: No end to sales woes in '92

by Peter Romeo

NEW YORK — Foodservice operators looking for a quick rebound from this year's sales slowdown will see their hopes dashed in 1992 by a continuing sluggishness in consumer spending, according to a forecast just issued by a major industry association.

To make matters worse, the International Foodservice Manufacturers Association predicted that a significant portion of next year's slight sales gain will flow to new competitors of traditional foodservice outlets. Sales at supermarket delicatessens, for instance, are expected to grow at four times the rate of increase for the industry as a whole.

Overall, IFMA predicted, foodservice sales will rise by 1.5 percent in 1992, to $275.54 billion. That signals a slight upturn from the projected 1991 increase of 0.9 percent, to $261.80 billion.

But "remember, this is total industry sales, and new stores are continuing to open," observed Dennis J. Lombardi, executive vice president of Technomic Inc., the research house that generated the IFMA data. "The impact on one existing store could be even worse."

At an IFMA seminar here, Lombardi explained that the number of domestic foodservice outlets would likely rise next year by more than 1.5 percent, meaning that a significantly greater number of competitors will be vying for a slice of only a slightly larger pie.

"This is not a growth industry," Lombardi told the audience of foodservice suppliers here.

"Most operators are either flat or down," remarked Ron Paul, Technomic president. "Flat is probably considered pretty good."

Technomic executives attributed the industry's difficulties to a weak economic environment. They noted that the nation's recessionary slide put hundreds of thousands of potential foodservice patrons out of work in 1990 and '91. Other consumers curtailed their spending as a hedge against the possibility of losing their jobs.

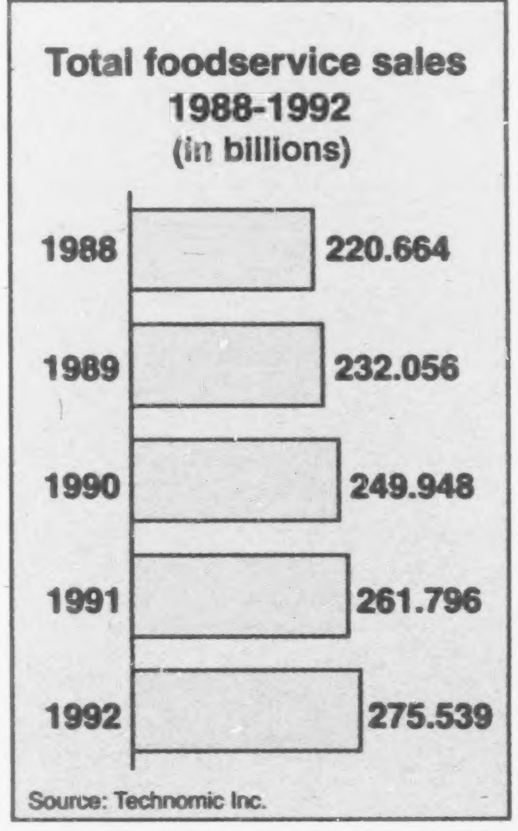
"Clearly our industry is feeling the impact of consumers' fears brought on by the recession," Lombardi explained.

The speakers asserted that economic conditions have improved in recent months.

"The economy is getting better," said Robert Goldin, senior principal of Technomic. "It is by no means robust. But it is

*(See **IFMA**, page 49)*

Total foodservice sales 1988-1992 (in billions)



Source: Technomic Inc.

Family restaurant chains unveil fall menu offerings

Add new items, daypart programs to boost traffic

by Bill Carlino

Family restaurant operators are kicking off their fall seasons with a promotional harvest of new menu items and meal programs.

Players like Denny's, Bob Evans Farms, JB's Restaurants, Perkins, Country Kitchen and International House of Pancakes are either introducing new products or resurrecting seasonal favorites to bolster traffic during targeted dayparts.

The added items range from such uncharacteristic selections as Bayou Cajun Pasta and chicken stir fry to such "comfort" favorites as chicken pot pie, liver and onions, and meat loaf. Some are clearly intended to bolster lunch and dinner traffic.

"Many family restaurants have had a lot of difficulty breaking away from that breakfast stereotype," said Gary Bales, vice president of marketing for the 140-unit JB's Restaurants.

But in JB's case, he continued, "we're just the opposite. We've built a strong lunch and dinner following, but now we want to position ourselves as having a quality image at breakfast, too."

In a return to its self-described "breakfast heritage,"

*(See **FAMILY**, page 4)*

INSIDE

Dorm food: You've come a long way, baby!
Segment Study/Page 25

Quit complaining! Try a little creative marketing
NRN Editorial/Page 21

Fine-dining group finalizes program for rating awards

by Carolyn Walkup

CHICAGO — Distinguished Restaurants of North America, a group of about 550 former Travel/Holiday magazine fine-dining award winners, has finalized details for a program members expect will become "the gold standard of restaurant awards."

Tom Margittai, co-owner of The Four Seasons in New York and the incoming DRNA chairman, unveiled the program during the group's first reunion under its new banner here.

DRNA was established last year in Toronto to protest a change in the procedures and standards of choosing Travel/Holiday award winners. Before that, the group had traditionally met annually in different cities, primarily to socialize and network.

"Nothing is going to do what this can do to elevate fine dining in North America," Margittai declared. "This program will sort out the chaos that confuses the consumer."

Margittai explained that judges for the awards would consist of faculty and alumni from Cornell University's School of Hotel Administration in Ithaca, N.Y. The first winners will be announced in the June 1992 issue of Food & Wine magazine.

American Express, which owns Food & Wine, has provided seed money to launch the awards program. Most of the funds will be used to pay the in-

*(See **AWARDS**, page 48)*

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Vol. 25, No. 37 September 23, 1991

NEWS BRIEFS

KFC suspends introduction of Skinfree Crispy

LOUISVILLE, Ky. — Kentucky Fried Chicken is suspending the rollout of its Skinfree Crispy fried-chicken, citing disappointing profits and product consistency.

KFC's parent, PepsiCo, took a $9 million pretax write-off for halting the introduction. In announcing the move, PepsiCo indicated that suppliers would be paid for unrecovered start-up costs and underused production capacity. Twenty-five percent of patrons ordered the item where it was available, but the product's profit margin was smaller than the level for KFC's other chicken selections, said Steve Provost, KFC's vice president of public affairs.

"We'll give it a shot next year" after a slight reformulation, he said.

The reduced-calorie product, which KFC had eyed as a surefire means of luring more health-conscious consumers, is currently available in about 2,000 of 5,000 domestic units.

Hermann resigns as Rax president; successor named

COLUMBUS, Ohio — Rax Restaurants has named William Underhill president, succeeding Ira Hermann, who resigned.

Hermann, the former Arby's chief operating officer who joined Rax two and one-half years ago, said he left to pursue other interests.

Earlier this year, Hermann was part of an investment group that acquired a majority stake in the struggling company. The group was led by Donald Karas, now chairman.

"I felt that I'd accomplished all that I could, and that now with the deal done and Don [Karas] and Bill [Underhill] in place, it was time to move on," Hermann remarked.

Under Hermann, Rax closed several unprofitable restaurants, sold its headquarters building and significantly trimmed its corporate payroll in efforts to cut losses.

Sales rise; food costs, menu prices flatten in August

WASHINGTON — Sales at the nation's eating and drinking places hit their second-highest peak of the year last month, rising in August by 5.2 percent on an annual, unadjusted basis, while food costs and menu prices flattened, according to the government's leading economic reports.

The Census Bureau's monthly retail sales report showed that only May's 5.4-percent upswing topped the August mark thus far this year.

Menu prices, meanwhile, flattened in August, capping off a five-month trend, up just 0.1 percent, to 3.3 percent, on an annual basis, according to the Labor Department's Consumer Price Index.

When the 5.2-percent gain in restaurant sales is discounted against the 3.3-percent rise in menu prices, restaurant traffic apparently rose in August 1.9 percent, a modest gain but one of the biggest this year.

Wholesale food costs, or the finished consumer foods category of the PPI, declined 1.2 percent in August from the figure for the same month last year, the department reported.

Pizza Hut eyes hospital as site for second Cafe

WICHITA, Kan. — Looking to expand its newest operation, Pizza Hut is negotiating to open a second Pizza Hut Cafe as part of the cafeteria feeding operation of the 625-bed Wesley Medical Center.

In addition to including some menu items from Pizza Hut Cafe, the facility would also offer selections from the company's Pizza Hut Express concept in a counter-service-only arrangement, according to spokesman Roger Rydell. He said the facility could open as early as November.

Currently overseeing the hospital's foodservice is Latour Management, a local company that was key in helping to develop the Pizza Hut Cafe concept.

McD adds wings to promotional products arsenal

OAK BROOK, Ill. — Following the lead of other fast feeders, McDonald's has added spicy chicken wings to its arsenal of short-term-promotional products.

The hamburger giant's version, called Mighty Wings, is offered at selected units in orders of five and 10. The peppery, deep-fried finger food is served with a Louisiana hot sauce.

Roy Rogers, Kentucky Fried Chicken and a number of other quick-service powerhouses have been using Buffalo-style chicken wings as a limited-time customer draw for months.

TCBY secures license to sell Mrs. Fields items

LITTLE ROCK, Ark. — TCBY Enterprises' franchise subsidiary, TCBY Systems, has entered a master license agreement with Mrs. Fields Development to sell certain Mrs. Fields products in TCBY stores.

Details of the agreement were not disclosed.

In a marketing test, TCBY stores in central Arkansas have been selling Mrs. Fields cookies, muffins and brownies since July. That arrangement will be expanded to 750 stores during the first year, TCBY said.

Penguin's Place frozen-yogurt chain files for Ch. 11

LOS ANGELES — Penguin's Place Inc., the franchisor of Southern California's dominant frozen-yogurt chain, has filed a Chapter 11 bankruptcy petition, declaring assets of $2 million and liabilities of $6.1 million.

Officials of the Thousand Oaks, Calif.-based firm, which owns five outlets and franchises 118 others, said sales slippage for the last three years forced it to seek court protection from creditors. Blaming the recession, this year's unusually cool summer and growing competition from fast-food restaurants and supermarkets, the company said systemwide sales fell 9 percent last year, to $29 million, and would drop another 10 percent this year, to about $26 million.

Chain officials said reorganization plans include store-lease renegotiations, a shift from print-ad to direct-mail marketing, and the introductions of more yogurt and topping flavors.

Daka to sell hotels to Vince

WAKEFIELD, Mass. — Daka International, a diversified foodservice company here, has agreed to sell its four-unit Sovereign Hotels operation to Terry Vince, the company's former chief executive, for 7 million shares of Daka stock currently held by him.

The shares have an approximate value of $5 million and represent 19 percent of total shares outstanding.

Shares rendered by Vince will be retired by the company. Vince will still hold 4.8 percent of Daka's outstanding stock. The deal will reduce Daka's mortgage debt by $8.5 million.

Tri-state coalition nabs top prize at Seafood Challenge

MOBILE, Ala. — A culinary foursome representing Ohio, Texas and West Virginia won a narrow victory over the best chefs from Georgia and Florida in the final round of the 1991 Gulf of Mexico Seafood Challenge here.

The Tri-State Co-op's team was captained by Columbus, Ohio-based Hartmut Handke of Handke's Cuisine and staffed by Victor Gielisse and Henri Mahler from Actuelle Restaurant and Loew's Anatole Hotel, both in Dallas, and Scott Bennett of The Greenbrier in White Sulphur Springs, W.Va. The team's winning score was just one-tenth of a point higher than those of the second and third place finishes scored by Tom Catherall's Team-Georgia and the Central Florida Chefs, led by Major Jarman.

The top seafood menu featured a seared and baked herb-marinated amberjack entrée with basil mashed potatoes, an oven-roasted tomato soup with fish dumplings and a smoked flounder fillet with potato pancake and vegetable relish.

All three teams captured gold medals in the American Culinary Federation-sanctioned event. Fourth-place finishers — Team Louisiana and Team Harpoon Louie's from Jupiter, Fla. — won silver medals.

Bias allegations spur probe of Red Onion

by Richard Martin

LOS ANGELES — The Los Angeles County Board of Supervisors has demanded an investigation of the Red Onion chain's role in an incident at a restaurant in Orange County in which three Japanese women customers were allegedly assaulted by a group of Caucasian women customers.

Following complaints that one of the Japanese women suffered a split lip after being punched and kicked by an attacker who told her to "speak English," the board approved supervisor Kenneth Hahn's motion calling for the Orange County District Attorney and the human-relations commissions of Los Angeles and Orange counties to assess the policies of the 15-unit Mexican dinner-house chain.

Officials of International Onion Inc., Red Onion's Carson, Calif.-based owner, denied any wrongdoing. "We told our people to cooperate fully" with a police investigation, said Stephen W. Solomon, the company's attorney. He called the incident "unfortunate" but said it was "between patrons and [did] not [involve] the Red Onion."

Calling the alleged assault in the Huntington Beach Red Onion "a clear and blatant violation" of the civil rights of the Japanese customers, Hahn said management of the restaurant reportedly ignored their requests for assistance and was implicated in the alleged intimidation of a witness.

Hahn said the incident was especially significant because of prior allegations of discrimination against the chain, which is based in Los Angeles County and operates throughout Southern California.

In 1986 Red Onion offered apologies and promised to implement reforms after facing numerous charges of racial bias in its disco-admissions policies. State liquor-licensing and fair-employment authorities investigated the chain after dozens of customers filed discrimination suits, several of which were later settled for undisclosed amounts.

> The company's attorney, called the incident "unfortunate" but said it was "between patrons and [did] not [involve] the Red Onion."

Citing "other troublesome and disturbing circumstances that underscore the need for a thorough investigation," Hahn introduced an allegation by the Asian Pacific American Legal Center that Red Onion management had coerced a bartender into rescinding his pledge to be a witness to the attack.

"No witnesses, no evidence, no fight," Red Onion bouncers were quoted as saying.

Solomon denied that any witnesses had been intimidated.

Robert Kawahara, an attorney representing the Japanese women, said they are contemplating a civil suit against the chain because of alleged "inaction" by its officials, regardless of whether any coercion of the bartender could be substantiated. "We feel [management's] course of conduct and attitude encourage this type of incident," Kawahara said.

"The perpetrators of the attack were left to drink," while the restaurant's managers shunned the Japanese women and failed to call the police immediately, according to Kathy Imahara, an attorney for the Asian Pacific American Legal Center, which initially counseled the Japanese women.

Red Onion officials should be faulted because "they did not recognize the racial nature of the attack," Imahara said.

A spokesman for supervisor Hahn said the board of supervisors would not take further action until it receives a report from the human-relations commissions of the two counties.

Family chains roll out fall fare to boost sales

(Continued from page 1)

the Salt-Lake City-based JB's is gearing up for an October launch of "Project Sunrise," a line of international-style omelets and an array of frittatas, pancake-shaped egg preparations cooked on both sides but not folded like omelets.

Bales said the cooked-to-order items of Project Sunrise will complement the chain's breakfast bar, a $3.69 all-you-can-eat alternative to JB's à la carte morning menu. The frittatas and omelets are priced between $4.99 and $5.29

Meanwhile, in a similar attempt to bolster breakfast sales, the 500-unit IHOP chain is engaged in a systemwide rollout of two types of Belgian waffles. One is made with buttermilk batter; the other, with the chain's Harvest Grain 'n' Nut batter, a blend of five whole grains, English walnuts and pecans.

The waffles are priced at $3.89 to $4.39.

"These [waffles] will be the Cadillac among our pancakes and waffle items," said Steve Pettise. senior vice president of marketing for IHOP. The Buttermilk Belgian waffle is currently in about 220 units, while the Harvest Grain 'N' Nut version has made its way onto the menu of 80 restaurants, Pettise added.

In addition to rolling out new breakfast lines, JB's is attempting to draw more lunch and dinner patrons with a troika of pasta dishes marketed under the banner "A touch of Italy."

The entrées — Pasta Primavera, Bayou Cajun Pasta and Chicken Marinara — range in price from $5.49 to $6.49.

In similar efforts to lure lunch and dinner traffic, Bob Evans, Perkins and Country Kitchen have unveiled an array of complete entrées.

Bob Evans, an operation known for its red and white farmhouse exterior and retail sausage line, is seeking to fuel evening sales with a current systemwide rollout of Daily Dinner Specials.

On weekday nights Bob Evans Farms will feature one entrée from a roster of five new menu selections, each priced less than $6.

On Mondays each unit throughout the Bob Evans Farms system will feature chicken pot pie. Tuesday's special will be liver and onions; Wednesday's, an open-faced roast beef sandwich; Thursday's, turkey and dressing; and Friday's, lasagna filled with Bob Evans' proprietary Italian sausage.

"We've been working on building our dinner business for about 10 years now,' said Roger Williams, senior vice president of marketing for Bob Evans Farms, adding that dinner accounts for about 45 percent of sales.

According to Williams, Bob Evans began testing the Daily Dinner Specials in 26 restaurants in Indianapolis and Toledo, Ohio.

"We felt these [markets] were representative of the Bob Evans chain," Williams explained. "The entrées met our testing criteria with regard to sales and what we call 'intent to reorder.'" Williams said that as a result, same-store sales in the testing units rose by 10 percent.

To tout the Daily Dinner Specials, Bob Evans plans to use a block of five 30-second spots in its most heavily penetrated markets. Williams explained that the spots will be rotated daily. For example, a late-night viewer on Tuesday night would see the commercial plugging Bob Evans' Wednesday dinner special.

Perkins, a 415-unit operation, is poised to launch "Down Home Favorites," a line of entrées priced in the $5-$6 range.

Scheduled to kick off in late October, Perkins will offer new items like pot roast, chicken and dumplings, and meat loaf, while simultaneously recycling often-requested dishes like chicken pot pie and shepherd's pie.

"These are basically cold-weather items," explained Sue Hernandez, Perkins' vice president of marketing. She added that the promotion will run through early winter.

Country Kitchen, the 250-unit family restaurant subsidiary of the Minneapolis-based Carlson Cos., hopes to hike evening traffic with a two-month promotion featuring beef and chicken Oriental stir-fry entrées.

Retailing for $4.95, the beef and the chicken versions are served over a bed of rice and accompanied by a dinner salad and a roll. They will be available until mid-November.

In addition to radio and TV spots, Country Kitchen is touting the stir-fry entrées with its Great Wall of China Sweepstakes, an instant-win game offering an all-expenses-paid trip to Beijing, China, as the grand prize.

Denny's, the family segment's largest player, with 1,300 units, has eliminated its special Grand Slam menu by shifting the items to the chain's standard bill of fare.

"This was done as a convenience to the customer," said a Denny's representative. "Now they won't have to sift through two separate menus."

Included on the menu will be several of the Grand Slam dishes that were introduced earlier this year. The products are intended to lure traffic during all three dayparts and include the "Play it Again Slam," three eggs, three hot cakes and three sausage links, and the "Double Up Slam," a double-decker burger topped with American cheese and grilled mushrooms.

ARA chef battles nature to be tops with tourists

(Continued from page 3)

Alaskan seafood sampler. Entrées include seared salmon fillet with chive butter sauce; grilled halibut steak with broiled oysters, basil and sun-dried tomato vinaigrette; roast prime rib, and grilled chicken breast with roasted Anaheim chilies, red onion and cilantro.

Entrée prices range from $16.95 to $23.50. The signature dessert is the tundra mud pie.

Both the hotel and the resort dining rooms open at 5 a.m. for early buffet breakfasts for visitors who have scheduled 6:30 a.m. shuttle buswildlife-viewing tours into the park's interior. Later breakfasts usually include such Alaskan specialties as reindeer sausage, sourdough biscuits and blueberry pancakes.

The Denali Dining Room at the Denali Park Hotel is somewhat more casual with slightly lower menu prices. The hotel ambience is inspired by a turn-of-the-century railroad depot.

Shebesta, who grew up in the restaurant business at his family's Heidelberger Fass German restaurant in Chicago, is used to working long hours. During the opening month each May, he typically works from 16 to 19 hours a day as he trains new chefs and opens each hotel kitchen. Finding chefs in Alaska is difficult, he commented.

Before transferring to Denali, Shebesta worked for ARA's Mesa Verde National Park operation in Colorado. Before that, he was with The Greenbriar resort, in White Sulphur Springs, W. Va., and Paradise Valley Country Club, in Scottsdale, Ariz.

CORRECTIONS

"NRN's inquiring photographer asks...," Sept. 2, page 8, inadvertently transposed the photographs of Jim Walker, owner of Pasta Mesa, Costa Mesa, Calif., and Bob Mandler, owner of the Chin Chin chain, Santa Monica, Calif.

* * *

In the Aug. 26 issue of NRN the front-page photo accompanying the story titled "Pepsi Giant Hones Image With New Pizza Hut Cafe" had a caption misidentifying the restaurant. The restaurant shown was the prototype Pizza Hut Cafe.

* * *

Readers of Nation's Restaurant News' Top 100 report for 1991, published Aug. 5, may wish to annotate their reference copies to correct the following erroneous or omitted data:

In the table "Top 100 Companies Ranked by U.S. Foodservice Revenue," page 54, a typesetting error resulted in the omission of data for Shoney's Inc., whose 1991 rank is No. 16. The publicly owned company's 1990 rank was No. 15. Projected 1991 revenue for Shoney's Inc., whose fiscal year ends in Oct., is $765.0 million; in the year ended Oct. 1990 its revenue was $764.9 million; in the previous year its revenue was $717.5 million.

In the same table, page 55, the chain holdings of the No. 92 company, JB's Restaurants Inc., were incorrectly listed. The company owns the JB's family-restaurant chain and is a franchisee of the Sbarro chain.

In the table "Top 100 Chains Ranked by U.S. Systemwide Foodservice Sales," page 52, the parent company of the Sizzler chain was imprecisely identified. It is Sizzler International Inc., not Sizzler Restaurants International Inc. The error was repeated in "Alphabetic Directory of Top 100 Chains," page 60.

IFMA forecast: No end to sales woes in '92

(Continued from page 1)

improving."

But, he acknowledged, "there is a question of whether we will have a sustained recovery or whether we will have what the economists have called a 'double dip.'"

Technomic is wagering that the improvement will indeed be sustained in 1992. Its foodservice sales forecast is based on a 2.7-percent expansion of the Gross National Product next year, compared with a 0.1-percent contraction in '91.

Disposable personal income — a key gauge of consumer spending — will grow by 2.6 percent in 1992 after shrinking by 0.3 percent this year, according to Technomic.

But the research house is less optimistic in its predictions for the foodservice trade. According to its forecast, all commercial establishments will split a 1.7- percent real rise in sales, to $197.66 billion (excluding the sale of alcoholic beverages), after growing 1.1 percent his year. Non-commercial facilities' intake is expected to grow by an inflation-adjusted 1.2 percent, to $77.89 billion, compared with a '91 gait of 0.4 percent.

Full-service restaurants, fast-food places and commercial cafeterias — a group lumped together by the federal government into a "separate eating places" category — are forecast to post a collective 1.5-percent gain in sales for 1992. This year's intake is projected to grow by only 1 percent.

Fast-food outlets

More than half of that increase — or $4.60 billion, in nominal terms — will come from quick-service places, according to the Technomic data. It forecast that the sector will boost its intake by 2 percent next year, to $78.14 billion, compared with a 1.5-percent gain, to $68.45 billion, in '91.

"There has been more change there, more dynamism, than there ever has been in this industry," remarked Nancy Kruse, principal associate of Technomic. "Value pricing is one big area. The other is menu change and menu expansion," with virtually all the major fast-food chains adding low-cal or otherwise healthful items.

Full-service restaurants are also expected to accelerate their sales growth, with Technomic predicting a 1-percent real gain for 1992 compared with a projected 0.5 percent for 1991.

Noting that many Americans vacationed near home last summer, Technomic vice president Dave Bekermeier commented that "part of the travel helped restaurants, particularly midscale restaurants and particularly those within 400 miles of a major urban center."

Cafeterias' sales were forecast to inch upward by 1 percent after swelling by 1.5 percent this year.

Tough competitors

The researchers forecast that some of the most impressive foodservice sales performances in 1992 would come from retail-based outlets looking to steal customers from conventional restaurants and fast-food places.

In particular, "supermarket delis are an increasingly competitive threat because supermarkets see foodservice as a threat and are merchandising against it," Bekermeier said. In addition to expanding their "menus," the in-store facilities are "looking at faxed orders, they're looking at call-in [service] and in some instances they're looking at delivery, mostly of pizza."

The 22,000 supermarkets currently equipped with delis are expected to garner a total of $6.20 billion this year, for a 6.5-percent real gain over the '90 figure, according to Technomic. It predicted that the outlets' intake will jump by 6 percent next year, to $6.83 billion.

"Their average weekly sales are probably $10,000 to $11,000, excluding bulk foods like meats and cheeses," Bekermeier said. Profits margins are "probably 15 to 16 percent."

Similarly, Technomic indicated that restaurants may face tougher competition from convenience stores because a new breed of "C-store" is sprouting in gas stations. The major oil companies are eagerly adding the retail outlets to pump a few more dollars out of their filling stations.

Such powerhouses as Amoco and Mobil "are well organized, they are well focused and they're willing to get out there and test things," Bekermeier said.

He cited the example of Split Second, a concept that Amoco is developing for its stations. The C-store features an extensive line of deli products.

"Amoco alone has a significant number of sites available," Bekermeier noted. "They've got lots of real estate to play with if they can find the right concept."

Technomic forecast a 1.5-percent real rise in convenience stores' foodservice sales, to $6.64 million, for 1992.

Non-commercial sector

In the non-commercial sector, the research concern foresaw a 1.5-percent rise in traffic at business-and-industry feeding facilities. It projected that the sector will not show any increase in real sales this year.

"The recession has created a lot of problems," Bekermeier said. "A lot of companies have cut their subsidies. There's a lot of pressure in that area."

Health-care feeders are expected to garner just 0.5 percent more business than they drew in 1991, when intake slipped from the prior year by 0.1 percent. Technomic attributed that segment's difficulties to continuing cutbacks in government health-care subsidies.

Traffic at school cafeterias is expected to grow in 1992 by 1 percent, the same gait clocked this year.

College and university feeders are expected to expand their business by 0.5 percent after seeing intake flatten in '91, according to Technomic.

'Cafeteria parents' ease budget crisis at Texas schools

(Continued from page 3)

The volunteer program, unique among Texas public schools, saves the district a minimum of $91,800 annually, said Karen Heitman, R.D. and the program's chief coordinator. The savings are necessary for the district, which, because it is relatively affluent, receives no aid from the federal government's national school lunch program, she said.

"It helps financially," she explained. "We receive no commodities, so the parents are subsidizing us through their labor."

The program, now a long-time tradition, has grown with the school district during the past 75 years, Heitman said. When the first public schools opened here, parents donated meal items for children to eat during the school day. Now Heitman, who compares herself to the center of a spoked wheel, oversees a more extensive and organized operation.

In her role as coordinator, Heitman is responsible for delivering between 3,500 and 3,600 meals daily through the district's cafeterias at four elementary schools, one middle school and one high school. Each cafeteria operates independently, with six salaried cafeteria managers overseeing 32 hourly employees and 60 parent volunteers daily. Each cafeteria also has a volunteer chairman who pays bills and employee salaries for two school years.

The cafeterias resemble mini-Wyatt's Cafeterias for children, Heitman said. Food items are served and sold à la carte, reducing both paper and food waste. Children have a variety of meal choices, including two entrées, a salad bar, ice cream, frozen yogurt and fresh fruit. Each cafeteria assigns its own prices.

Parents sign up to volunteer through the local Parent Teacher Association. The desire to volunteer is so widespread that getting slots can be competitive. Even working parents can participate easily. The 6-square-mile school district, which encompasses schools in both the towns of Highland Park and University Park, is surrounded by the city of Dallas, so working parents can commute from their jobs to and from their volunteer shifts within minutes.

Training is primarily on the job, with special attention paid to meeting county health requirements, said Jane Morrill, the past volunteer treasurer at the high school. "Most mothers and dads know how to serve food," she pointed out. "They're not highly skilled jobs, but they're labor intensive."

For parents, working in the cafeteria provides additional time to see their children and time to interact with teachers, Heitman noted. It also reduces parents' concerns about nutrition and complaints from children that the school food is "yucky," she added.

Michael Boone, this year's school board president, has volunteered in both the middle-school and high-school cafeterias during the past four years.

"Obviously, there are not as many fathers as mothers," he remarked. "But every day there are generally one or two fathers working in the high school and middle school. I like it because I get to see the kids and teachers, and it doesn't take a rocket scientist to figure out that in schools in which there is community involvement there is a higher level of achievement."

The parents' volunteer spirit also increases home values, Morrill explained. "In Highland Park our schools mean everything, and that affects our house values. They reflect a fine school district," she added.

The cafeterias are not for-profit, so sales must cover costs, Heitman pointed out. They generally operate in the black, although they do occasionally fall short, she said. Any profits — which are never astronomical, she noted — go toward equipment, salary increases or purchasing, so that prices remain low. There is no transfer of funds among the cafeterias. Her salary, however, is divided among the six schools and the district.

Although contract feeders have approached the school district for its business, the current program is not likely to change, Heitman said.

"There is a very strong commitment by the parents to having control of the cafeterias," she said. "That's their way of being part of the school."

Parents are adamant about their foodservice roles, and many become foodservice aficionados through the experience, Boone said.

"One of the major food suppliers that do public schools asked the new superintendent if we would consider a third-party vendor to take it over," Boone remarked. "He said, 'I don't think so. The mothers would probably ask to take you over.'"

Morrison buys Movable Feast

(Continued from page 3)

"A lot of corporations that have a contract feeder go to another company to do their off-premises work," Reyer said. "So contractors would want to pick up what corporations are doing off premises. They already have them as clients, so they pick up what clients are doing at home."

At the same time caterers have solicited deeper-pocketed clients, like corporations, to recoup business lost as the recession snuffs out the lavish social events of the 1980s, said Jay Treadwell, president of Movable Feast.

"The market is shifting away from large social events to more utilitarian and pragmatic catering," he commented.

For these reasons, both MCM and Movable Feast officials see their new marriage as heaven made.

"There is a whole level of clients that need catering," Treadwell explained. "Now an institutional foodservice company can provide better catering. It's a rather unique opportunity for one company to be able to provide both sides of that coin. It certainly positions us to aim at that market."

The merger will also provide Movable Feast with capital for growth — a resource made elusive by the recession, Treadwell said.

"It's a good marriage because they are leaving us alone to operate our business," Treadwell pointed out. "And at the same time we have the resources to do better promotions, do better food — improve the company."

Movable Feast, with annual sales of about $2 million, has both catering and retail businesses. Among its catering coups are the Mazda LPGA Champions' Gala Dinner, the Virginia Gold Cup Races and the Goodwill Ball. The company's Corporate Feast division caters for only corporate clients. And Movable Feast at Union Station sells international snacks and quick meals to commuters and tourists.

Under the merger agreement, Movable Feast will retain its identity and remain under the watchful eyes of Treadwell, a renowned caterer and Silver Plate winner, and Stacy DeLano, who is the company's founder and executive vice president. Together, the duo has become known for its personal attention to customers. Movable Feast has 30 employees.

"They bought us because of the people we have here," Treadwell explained. "They wanted a team in place that could carry on with the reputation that they want and that we want."

MCM, with revenues of $379 million for fiscal 1991, provides support services to business, health-care, education, retirement and environmental clients in 38 states.

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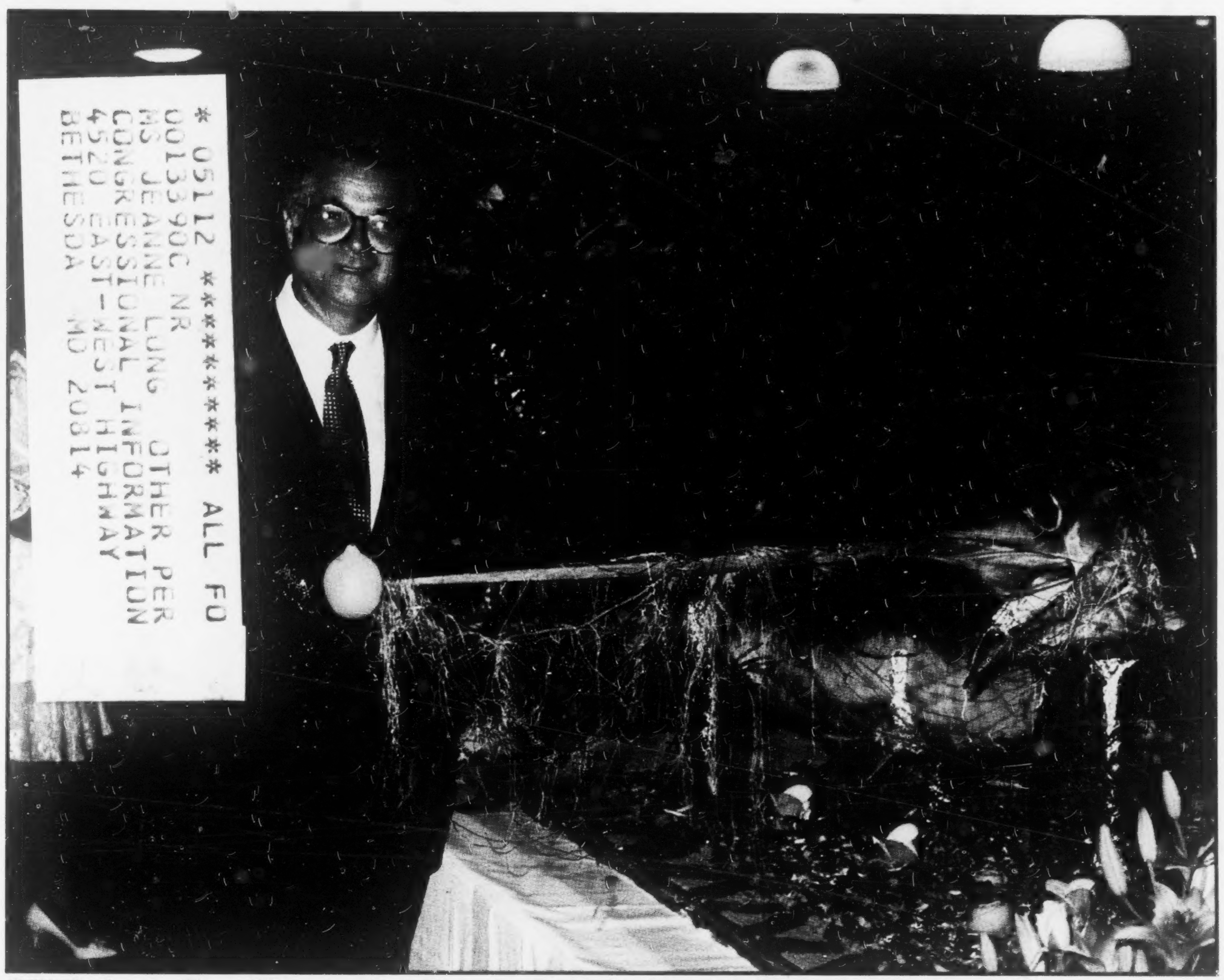

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GRI chairman Tony May stands before the food display at the group's gala dinner in Taormina.

GRI trip whets appetite for southern Italian fare

by Paul Frumkin

More GRI photos appear on page 74

PALERMO, Sicily — The lush Mediterranean island of Sicily proved to be fertile ground for new culinary ideas as fine-dining restaurateurs from North America gathered here late last month for the annual convention of the Gruppo Ristoratori Italiani.

A renewed interest in the foods of southern Italy prompted the group's exploration into the highly flavored cooking of the country's southernmost region, said members of GRI — an organization of foodservice professionals formed to promote a better understanding of Italian food and wine.

And with few exceptions, the GRI operators found some idea or recipe to take to their restaurants back home in the

(See GRI, page 157)

McDonald's developing separate dinner menu, puts pizza test on hold

by Milford Prewitt

OAK BROOK, Ill. — Moving farther afield from its beginnings as a sandwich specialist, McDonald's is developing a burgerless separate dinner menu anchored by pizza and supplemented by chicken, pasta or other entrées.

The chain, which has been striving to bolster persistently weak evening traffic, said it would put its 500-unit pizza test on hold while it tests several pasta dishes and refines its skinless broiled chicken offering over the next several months.

The new dinner menu, expected to be ready within two years, will not include sandwiches or burgers, reported analysts attending a biennial meeting with company officials. McDonald's told the stock pickers that a new beef entrée and a

(See MCD, page 157)

INSIDE

Break out of that shell and be a survivor
James C. Doherty/Page 29

Welcome to MUFSO '91
Special report/Page 35

NAFEM '91: Bigger and better than ever
Patt Patterson/Page 126

NRA directors unite to quash child-labor bill

Emergency lobbying blitz after board meeting helps kill initiative

by Peter Romeo

WASHINGTON — A plea for on-the-spot action turned a routine National Restaurant Association board meeting here into a dramatic lobbying display, with directors helping to swat down a proposal that could have landed some restaurateurs in jail.

The measure would have subjected employers to imprisonment and $250,000 fines for child-labor-law violations resulting in "serious injury" to workers under age 18. It defined "serious injury" as an inpairment requiring a youngster to miss one or more days of work.

Hearing of the initiative even before it was formally introduced in a House committee, NRA directors mounted an emergency telephone lobbying blitz to keep the measure from being incorporated into a bill.

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Under pressure from other groups as well, the plan's proponent quickly decided to shelve it.

The matter was decided in

(See LOBBYING, page 4)

Fresh or frozen? KFC, franchisees in Skinfree fracas

by Peter O. Keegan

LOUISVILLE, Ky. — Skinfree Crispy, a reduced-fat product whose rollout has been suspended because of pinched margins and operational problems, has turned into a new roadblock in KFC's struggle to turn sales around.

A chicken fight between the company and franchisees has ensued over whether the skinless fried-chicken product should be made with fresh or frozen birds. Either way, KFC's newest entry will not reach 3,000 of the company's 5,000 domestic stores until the issue is settled. A resolution is not expected until next year.

Meanwhile, the segment-leading chicken chain is scheduled to replace Skinfree Crispy with a reformulated frozen version in the 2,000 Northeastern and Southern units that have already added the product.

Franchisees are hammering for a fresh Skinfree Crispy product because they believe that the quality is superior to frozen and do not like paying extra for supplier-prepared prod-

(See KFC, page 7)

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Vol. 25, No. 39 October 7, 1991

NEWS BRIEFS

Days Inns files for Chapter 11

ATLANTA — Days Inns of America said it has filed for Chapter 11 bankruptcy protection in Wilmington, Del., to facilitate the $250 million sale of its franchise system to Hospitality Franchise Systems Inc.

On the same day two insurance companies and an investment trust filed to put debt-laden Days Inns into involuntary Chapter 11. Northern life Insurance of Seattle, Northwestern National Life Insurance Co. of Minneapolis and High Income Advantage Trust of New York filed their Chapter 11 petition in New York.

Days Inns officials contend that the involuntary filing has no effect on their company because they filed voluntarily for the chance to reorganize first.

Completion of the transaction with HFS, the parent company of the Ramada and Howard Johnson franchise systems, is subject to bankruptcy court approval and would create the world's largest hotel franchisor.

Sbarro negotiates to acquire Square Pan Pizza

SAN FRANCISCO — Sbarro said it is in negotiations to acquire the Square Pan Pizza concept from the company's developer and operator, PeopleFeeder Inc.

Bob Kobelle, chief financial officer of the Commack, N.Y.-based pizza company, disclosed the plans at the Montgomery Securities 21st Annual Investment Conference here. The deal includes the sale of eight units in retail malls, two units at San Diego State University and concessionary rights at the San Diego Zoo, according to Jeff Partrick, president of the private San Diego-based PeopleFeeder.

According to Partrick, the deal also includes the sale of such Square Pan Pizza trademarks as 'Square Meal' as well as the tag line, "We don't cut corners."

Park Foundation buys Yosemite concessionaire

SAN FRANCISCO — The National Park Foundation has agreed to buy Yosemite Park & Curry Co., the main concessionaire at Yosemite National Park, for $49.5 million and capitalized interest.

Yosemite Park & Curry Co., a division of the Los Angeles-based entertainment company MCA Inc., became the center of controversy last year when Matsushita Electric Industrial Co. of Japan purchased MCA.

When the purchase was announced, a public outcry arose claiming that control of the Yosemite concession should remain in American hands. The outcry came on top of complaints by environmentalists that Yosemite Park was becoming too commercialized and that MCA was pocketing too much profit from the concessions. At the time Matsushita officials said they would sell operation of hotels, restaurants and other park businesses within a year.

By purchasing the concessionaire from MCA, the National Park Foundation in effect will control the park's concession operations between now and October 1993, when the current concessions contract expires, said Stephen Crabtree, chief of the division of concession program management for the Western Region of the National Park Service.

Schlotzky's tests revamped menu

HOUSTON — Schlotzsky's Sandwich Restaurants has started testing a revised menu in this market.

The revamped menu emphasizes pizza, lighter sandwiches and more salads and soups, according to John Wooley, president of the Austin, Texas-based chain. The original Schlotzsky's sandwich, modeled after the New Orleans muffaletta, remains unaltered.

Chef Michael Dyer, known for his innovative Southwestern cuisine at Alana's in Austin, is Schlotzsky's new corporate chef.

Alan Lewis, Rainbow Room vet, dies at 70

NEW YORK — Alan Lewis, managing director of the Rainbow Room and a longtime veteran of the New York restaurant industry, died of heart disease. He was 70.

"He was a great restaurateur, and thousands of guests and staff members enjoyed the efforts of his life," said Joe Baum, Rainbow Room president. "More than 40 years of working together left me wanting more. He was my friend."

Lewis was born in the Bronx in 1920 and attended the Hotel School at Cornell University in Ithaca, N.Y. He worked at the Waldorf-Astoria and the old Ritz Carlton in New York before joining Restaurant Associates as director of the Newarker restaurant in 1950. Working with Joe Baum, Lewis helped to open such landmark restaurants as the Four Seasons and Forum of the Twelve Caesars. He also worked with Baum on Windows on the World at the top of New York's World Trade Center.

In 1987 he rejoined Baum in the multimillion-dollar renovation of the Rainbow Room.

New York's mayor, David Dinkins, called Lewis "a first-class restaurateur and a dear friend of mine, whose kindness and generosity touched the lives of so many people."

McD revises menu offerings at Golden Arch Cafes

OAK BROOK, Ill. — McDonald's Golden Arch Cafe, a year-old test concept the company started as a way to penetrate small-town America, will undergo a slight menu change as the company opens more test units.

Unlike the original Golden Arch Cafe, which did not rely on McDonald's regular menu, the newest test units in Hohenwald, Tenn., and Machias, Maine, will include the standard McDonald's fare as well as a personal pizza.

The initial Cafe, opened a year ago in Hartsville, Tenn., is about one-half the size of a regular McDonald's restaurant and seats 50 diners.

Besides the regular menu and pizza, the new Golden Arch Cafes will feature deli sandwiches, baked pies and a version of the McRib sandwich.

'Taste of LA' promoter faces city's legal bite

SANTA MONICA, Calif. — The city attorney's office said it plans to sue Martin J. Ellis, the Beverly Hills-based promoter of the annual "Taste of L.A." restaurant festivals here, after he wrote bad checks totaling about $65,000 for expenses of this year's four-day event and allegedly reneged on a deal to rerent the civic auditorium for a French food fair.

"We had some unusual problems that forced me to bounce some checks," Ellis said, blaming them on his delayed collection of a festival backer's sponsorship funds and the alleged theft by ticket salespeople of between $25,000 and $40,000 of the admission receipts totaling between $250,000 and $300,000. The festival's issuance of uncollectible checks is something that "happens every year," Ellis said.

Taste of L.A.'s accounting firm hastily paid Santa Monica $58,380 for fees and auditorium rent after $45,000 in rent checks bounced and the city attorney threatened to attach an escrow account that contained more than $1 million in revenues from the August festival.

Deputy City Attorney Amelia Sherman said she knows of about $20,000 in other bad checks issued by Ellis to vendors who supplied or served at the sixth annual event, which attracted 38,000 paying attendees over two successive weekends and featured booths from about 50 of the area's best-known restaurants. Ellis said the vendors now have been paid.

All the restaurants have redeemed from the escrow account the scrip they collected for specialties priced less than $6, said Eric Blanchard, the festival's accountant. However, the homeless-aid charities that in the past have received about $55,000 a year from Ellis' share of the proceeds are not expected to get anything this year, he added.

To obtain a reprint of NRN's 1991 Top 100 issue, a comprehensive ranking of the nation's 100 largest chains and companies plus a segment-by-segment look at the foodservice industry, please send a check for $10 to: **Nation's Restaurant News, 425 Park Avenue, New York, N.Y. 10022. Attention: Diane Babat.**

FINANCIAL NEWS

Strong regional players help stock multiples soar

by Milford Prewitt

Well-placed "niche players" have fueled a strong rise in the average price-earnings ratio for restaurant stocks, with industry issues clearly drawing stronger adulation from investors.

The price-to-earnings multiples for the stock of companies like Cracker Barrel, ShowBiz Pizza Time, Sonic, Bertucci's Pizza, Brinker International, Sbarro, Vicorp and even earnings-soft Uno Corp. are giving rise to what some analysts believe is a record high P/E ratio for the industry.

Based on the 12-month performances of the 72 restaurant stocks composing the NRN Stock Index, the segment is trading at an average of 20 times earnings. In other words, the issues' price is on average 20 times the level of earnings.

The development is puzzling because of the recession and a consensus that the restaurant industry has matured.

"Yeah, you can say the industry has reached its maturity, but if you look at the companies that are growing, you find companies that are well situated in their niche," said David Geraty, an analyst who follows 17 restaurant stocks for Equitable Securities in Nashville, Tenn. Geraty noted that the average earnings multiple for the 17 issues he follows is 25.

In comparison to other industry's P/E ratios, the restaurant segment's figure suggests that the sector is riding the crest of a bull market. Transportation stocks have a P/E ratio of 8, airline multiples are at 18, retailing stores are trading at 15 times earnings and the home-building industry's average P/E ratio is 11.

"Why are people giving these [restaurant] companies these valuations?" Geraty continued. "The answer simply is that these are strong companies that are dominating their niche and [show] growth [that] is outpacing the industry."

"Investor perception right now is that there is a lot of opportunity for growth in the restaurant segment," said Roger Lipton, an analyst for Ladenburg, Thalmann in New York, "and that is why we see the multiples at historic highs."

Lipton supported Geraty's thesis that niche players are fueling the averages.

> The P/E ratio is just one of many weather vanes that savvy investors use to gauge the profit potential of companies.

"If you look at the 72 stocks on the [NRN] stock table, the majority are primarily small, regional companies," he said. "If you look at those that are growing their earnings, they are regional players for the most part, almost specialty companies, which, in a fragmented industry, are growing successfully.

"These are companies that won't become obsolete. These are well-established restaurant companies that are virtually impregnable to national competition and are doing quite well. Investment is just flowing into small-growth stocks like these."

The P/E ratio is just one of many weather vanes that savvy investors use to gauge the profit potential of companies. It is one of the quickest ways to sense the future strength of the stock.

Derived by dividing the price of a stock by its earnings per share in a given quarter or fiscal year-end, the P/E ratio, or multiple, in its broadest application is frequently used to determine if the price of a stock is in line with a company's underlining earnings.

Some analysts rely on a 12-month trailing period to determine the multiple. Others, like Lipton, project forward 12 months.

Whatever method is used, the P/E is thought to be an equalizer that discounts high-share prices and elevates low ones, enabling stocks to be measured on a level playing field based on a company's earnings performance.

Therefore the industry's premier blue-chip issue, McDonald's, which closed recently at $33.25 a share, fares no better on a P/E basis than Cucos, which closed at $1.38 per share. McDonald's multiple, based on the 12-month trailing period for the quarter ended in June, is 15, while Cucos' is 20.

"It's really interesting that McDonald's is at a historically low multiple while the rest of the industry is at a historical high," Lipton said.

While P/E ratios are not the most accurate signpost of a company's strength, many analysts draw a lot from them. Multiples under 10 tend to signal companies whose earnings per-

(See STOCK, page 156)

FOOD PRICE OUTLOOK

Tomato canning running behind

by Patt Patterson

California's **tomato** canners are running behind last year's schedule, and the U.S. Department of Agriculture has revised its estimate of this year's pack downward. By mid-September, farmers delivered 8 percent less tomatoes to the canneries, compared with the 1990 figure. The U.S.D.A. lowered its estimate of this year's California canning tonnage by 5 percent and dropped the national production forecast 6 percent. That national figure, however, is still 1 percent higher than that of 1990.

There should be plenty of **applesauce** and **sliced apples** around in the coming months. The International Apple Institute estimated that there will be slightly less applesauce canned this year than last, but it will still be 5 percent more than the recent five-year average. The canned sliced apple pack is expected to be 8 percent higher than last year's and 13 percent higher than the five-year average. Prices for both sauce and slices, however, have remained stable. Don't expect much change until November, when the Northwest pack is under way in both products.

Both **beef** and **pork** prices are still running below last year's at this time, but some analysts expect prices to start moving up in mid-October. **Frozen cod** blocks and slabs, from which portions are cut, are beginning to move up in price. Stocks are about 5 percent larger than at this time last year, but demand is starting to cut into them. Frozen cod imports are still down drastically from what had been normal until three years ago.

Cheese prices, on the heels of increases in industrial milk prices, are rising again. Although the current hikes are moderate, some analysts see decreased U.S. milk production, fostered by the federal government, pushing cheese prices up to new records this winter. Demand for cheese, particularly from pizza makers, has risen steadily over the past several years.

FACT FILE

More money for your footage

(sales per square foot among casual themers)

Macaroni Grill (Brinker Int'l)	$479
Regas Grill (Brinker Int'l)	$479
Outback Steakhouse	$417
Shoney's	$400
Chili's (Brinker Int'l)	$367
Pizzeria Uno	$364
Bertucci's	$364
Applebee's	$341
Bakers Square (VICORP)	$333
Sizzler	$333
Cracker Barrel	$330
Village Inn (VICORP)	$305
Chart House	$277
IHOP	$276
Denny's (TW Services)	$260
Ryan's	$250
Quincy's (TW Services)	$244
Buffets International	$200
Spaghetti Warehouse	$168

Source: Montgomery Securities

FINANCIAL DIGEST

Giant Group increases stake in Rally's

BEVERLY HILLS, Calif. — Giant Group Ltd., a major shareholder of Rally's Inc., has alerted the Securities and Exchange Commission that it has increased its stake in the double-drive-thru burger concept.

Giant Group said it bought 85,000 additional shares of Rally's common stock, increasing its ownership to 44.5 percent.

Giant Group said it intends to continue to buy Rally's common stock, in both private and public transactions, for an indeterminate time.

Burt Sugarman controls Giant Group.

Koo Koo Roo slates initial public offering

WASHINGTON — Koo Koo Roo, a 3-year-old chain specializing in flame-broiled, skinless chicken, in undertaking an initial public offering to raise more than $7.1 million in equity on the offering of 1.437 million shares at $5 a share.

In a government filing, Los Angeles-based Koo Koo Roo acknowledges that it has yet to make a profit and that its revenues have been flat in the face of rising expenses. For the six months ended June 30, Koo Koo Roo lost $766,000 on $1.2 million in revenues.

The company currently operates nine restaurants, seven in Los Angeles and two in New York. It is also the franchisor of an additional five units.

Proceeds from the offering will be used to expand the chain, beginning with seven new company outlets within the first 12 months of the stock offering.

Food costs squeeze JB's 3rd-Q net

SALT LAKE CITY — JB's Restaurants said net income for the third quarter ended July 1 fell 53 percent, to $486,000, even though revenues rose 8 percent, to $40 million.

Despite the increase on the top line, earnings were affected by recessionary conditions, weather-related increases in produce prices and the offering of low-margin promotions, the company said.

The company indicated it expects sales to be soft through the fourth quarter.

For the first nine months of its fiscal year, the company made $952,000, a 40-percent decline from the year-ago figure, on a 10-percent increase in revenues, to $94.3 million.

JB's operates 136 restaurants.

Skyline Chili's 3rd-Q profits dip

CINCINNATI — Skyline Chili earned a net of $218,000 in the third quarter ended Aug. 4 — $1,000 less than a year ago — while revenues fell 4 percent, to $4.7 million.

But in the 40 weeks composing the period, net income jumped 13 percent, to $509,000, on a 1-percent gain in revenues, to $15.1 million.

"We were pleased by our results," William G. Kagler, Skyline's president and chief executive, said in a statement, "particularly since they were the result of much better expense controls across the board."

Kagler also said case movement of Skyline's frozen products through supermarkets increased by 11.3 percent through the third quarter, but restaurant sales at both company and franchised units were flat.

"Our game plan remains the same," Kagler said. "We will continue to exert tighter control of administrative and operating expenses until a more complete economic recovery produces better sales trends and facilitates aggressive marketing investments."

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JB's reins in family dining

Plans to ride growing Sbarro, HomeTown units

by Bill Carlino

SALT LAKE CITY — Bruised by soft sales and unit saturation in several markets, JB's Restaurants Inc. has braked expansion of its family-dining concept, opting instead to grow through Sbarro franchises and its most recent development vehicle, HomeTown Buffet — a midscale, all-you-can-eat operation.

"It came down to a choice of either building more JB's Restaurants or strengthening the in-store volumes in existing units," said Fred Gonzales, president and chief operating officer of the 136-unit JB's Restaurants Inc. "So we decided to hold off JB's expansion for one year and looked for possibilities in terms of other concepts. We saw a lot of potential in HomeTown Buffet."

JB's subsequently paid $3.8 million in exchange for a c t in Ameri- c ment Group I go-based par- e HomeTown I , JB's will be- c t individual s G Inc. Ameri- c rates three N nits, a casual- t ase. JB's will r me a McKen- z e. erms of the

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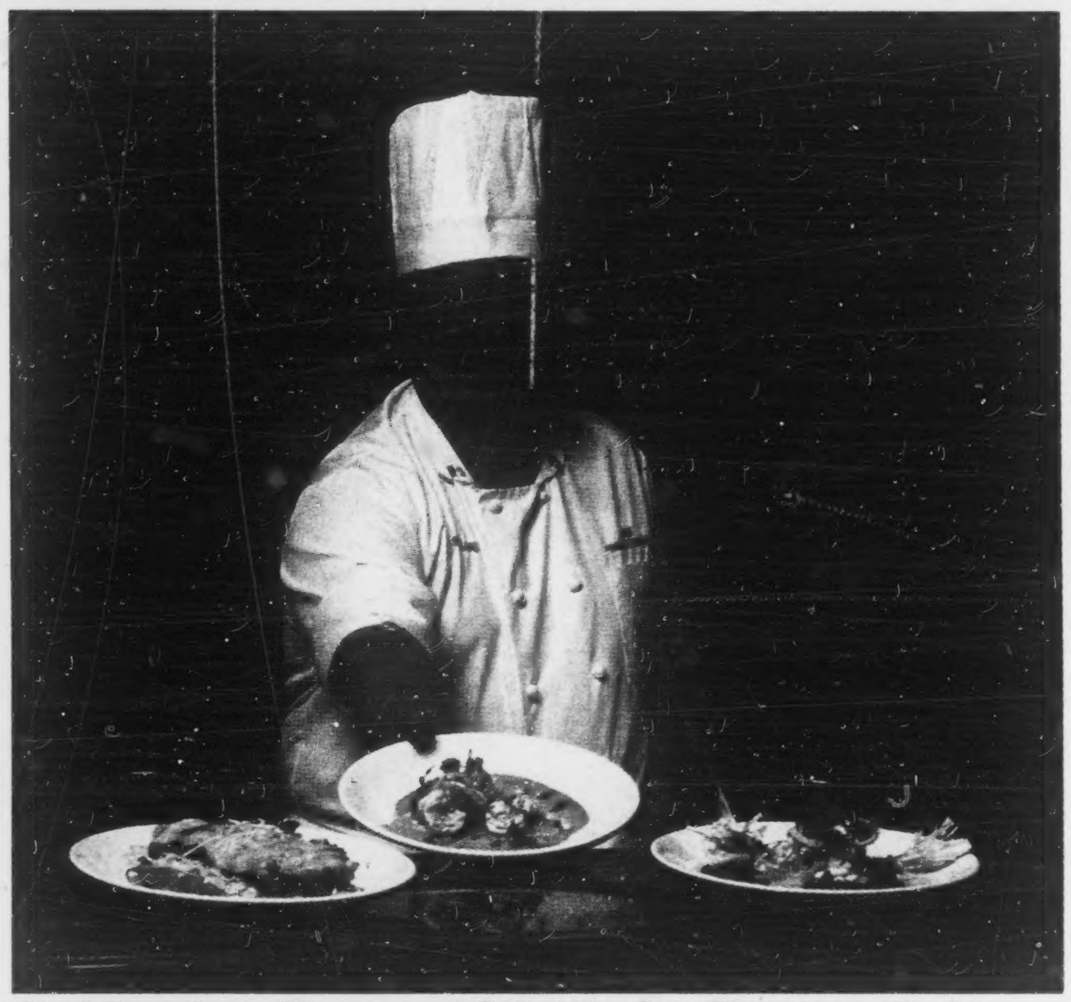

Chef Francisco Cisneros of Salud! in San Francisco displays some of his specialty dishes in the exhibition kitchen.

Latin-Mexican mania takes restaurateurs by storm in Bay Area

by Alan Liddle

SAN FRANCISCO — Much of the energy emanating from this highly competitive city in recent months has been generated by the owners of contemporary Mexican and Latin restaurants who have either opened new units or repositioned others to grab a bigger share of the market.

The active niche claims a wide range of concepts, from Campo Santo, an ambitious semiservice taqueria, to Garibaldi Goes South, a stylish new cafe, to such high-style full-service restaurants as Salud! and Corona Bar & Grill.

"We struggled to find a

(See MEXICAN, page 4)

NAFEM '91: A showcase for efficiency

New equipment, trends herald era of speed, consistency, lower costs

by Patt Patterson

ATLANTA — Technology that facilitates faster, more consistent cooking, lower utility bills and far less opportunity for operator-caused errors in preparation highlighted the National Association of Food Equipment Manufacturers biennial exposition held here.

Induction heating, infrared heating, diagnostics, digital readouts, lower atmospheric heat loading and versatility were some of the buzz phrases heard constantly on the exhibit floor of the Georgia World Congress Center at NAFEM '91.

The largest U.S. exhibition of its kind, with more than 600,000 square feet of exhibits, the four-day show drew operators, foodservice consultants, dealers and distributors, manufacturers' agents, and a contingent of international buyers here to see the latest developments in equipment and supplies.

The 600-plus exhibitors didn't disappoint their audience. There was a host of new products and new trends designed to help operators achieve lower operating costs; faster, surer preparation; and better control of preparing, handling and storing food.

And for the first time, a Design Center featured the work of well-known front-of-the-house designers in vignettes utilizing equipment and supplies from the show's exhibitors. Although furniture and fixture companies have always exhibited at NAFEM, this new, separate exhibit highlighted the impact of decor.

NAFEM/91
TENTH
October 12-15, 1991 Atlanta, Georgia
SHOW
Exhibition & Seminar

But the back-of-the-house was still the main interest of

(See NAFEM, page 7)

s copes with aftermath of tragedy

Photo courtesy of AP/Wide World Photos

Police gather outside Luby's Cafeteria in Killeen, Texas.

After shootout in Texas unit, cafeteria operator faces harsh glare of publicity

by Peter Romeo

KILLEEN, Texas — As investigators try to explain why a 35-year-old man crashed into a Luby's unit here and murdered 22 of its patrons, the cafeteria chain is grappling with a potential public-relations nightmare.

For 44 years Luby's Cafeterias strived to position its restaurants as neighborly places offering home-style food in a comfortable setting. And in one night the operator is reintroduced to millions of Americans as host of the worst multiple shooting in American history.

"Obviously [Luby's] didn't do anything wrong; they were just the ones singled out for a tragedy," said Thomas E. Eppes, a crisis-management specialist for Price/McNabb Public Relations in Asheville, N.C. "So people aren't going to blame them. But they're going to remember that it happened at that restaurant."

"This is a tragedy that happened to take place on our premises, and people are going to understand that," said Vernon Schrader, Luby's vice president of marketing. "We know that

(See LUBY'S, page 74)

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NEWS BRIEFS

Brinker Int'l opens steak house

HOUSTON — Brinker International, operator of the Chili's, Regas and Romano's Macaroni Grill dinner-house chains, has opened a new midscale steakhouse concept here.

However, the Dallas-based company insists that the new venture is merely a research site, where products for its other concepts can be tested.

Called the Border Stop Steak House, the restaurant was converted from a Chili's unit on a site that the company is bound by a lease to occupy. It seats 200 and features four to five signature steaks. Checks average $8 to $9.

"It's live R & D [research and development] work," said Lane Cardwell, Brinker's senior vice president of strategic development. "It gives us a chance to test items we are considering for Chili's and Regas Grill."

In other company news, Brinker has decided to change the name of its Grady's Goodtimes and Regas concepts to Grady's American Grill. Brinker has seven of each and decided to change to the Grady's name after consumers had difficulty pronouncing the Regas name.

Menu price inflation eases in September

WASHINGTON — Menu prices charted a 3.2-percent year-to-year gain in September, slowing from August's and July's respective 3.3-percent and 3.4-percent rates of increase, according to the U.S. Labor Department's monthly gauge of inflation, the consumer price index.

When September's 4.1-percent gain in restaurant sales is discounted against the 3.2-percent rise in menu prices, the figures suggest that customer traffic apparently rose 0.9 percent, for the second lowest monthly rise this year.

Overall, the CPI rose on an annual basis by 3.4 percent.

Meanwhile, supermarket prices, or the food-at-home component of the CPI, was up 1.5 percent in September, continuing a three-month downward slide.

BK adds burrito as limited-time breakfast item

MIAMI — Burger King is rolling out a breakfast burrito as a limited-time promotional item.

The product is a variation on a burrito that units in the Southwest have been offering for four years. However, that version was offered for lunch and dinner rather than for breakfast.

BK's breakfast burrito will be promoted only via in-store materials.

The new burrito was recently introduced in the Northeast as the next phase of a systemwide rollout.

Taco Bell challenges McD in LA breakfast rollout

by Richard Martin

IRVINE, Calif. — Taco Bell has launched a 10-item breakfast menu featuring 39-cent and 59-cent prices at 252 Los Angeles-area restaurants, a move marking the "value" trend-setter's long-awaited incursion into the McDonald's-dominated daypart.

The Oct. 23 rollout included a 39-cent Fiesta breakfast burrito of sausage, potato, cheese and salsa; 59-cent egg and cheese burritos with sausage or bacon; and a 79-cent Grande burrito with egg, sausage, potato, cheese and salsa. A sandwich of egg, Canadian-style bacon and cheese on a toasted English muffin sells for 99 cents, which Taco Bell compared with the typical $1.49 price of a purportedly identical Egg McMuffin at McDonald's.

"McDonald's has done a lot for us" and "has been a godsend," said Taco Bell president John Martin, asserting his chain's potential for carving out a sizable slice of the morning market pioneered by the burger chain.

Other items on Taco Bell's breakfast lineup are 39-cent hash browns, 59-cent caramel rolls, 39-cent and 59-cent sizes of coffee and orange juice and 59-cent low-fat milk. According to Martin, the overall menu meets the company's objectives of being "portable, affordable and fast."

He said point-of-purchase pitches will be the sole means of promotion during a three-month introductory period, which would be followed by a month of electronic marketing devoted to breakfast. He declined to reveal a possible timetable for expansion of the menu beyond Taco Bell's 300-unit Los Angeles market.

CRA, police fight state liquor law enforcement cuts

LOS ANGELES — The California Restaurant Association has joined a coalition of beverage makers and retailers opposed to Gov. Pete Wilson's proposed layoffs of more than two-thirds of the state's liquor law enforcement officers.

Police officials from across California also voiced opposition to Wilson's plan for a 23-percent reduction in the $23 million annual budget of the state Alcohol Beverage Control department, whose officers often work with local police on drug- and alcohol-related "stings" at bars and restaurants. The budget cut would eliminate 134 of the ABC's 197 investigators and leave the remaining 63 to oversee 72,047 licensed businesses, including 30,955 foodservice establishments.

Thomas Aldrich, vice president of Anheuser-Busch and a representative of the coalition, told a legislative committee in Sacramento that enforcement cuts would be "bad for business." State Assemblyman Richard Katz asserted that many bars "are selling as much or more drugs as liquor" and said layoffs at the ABC would impede efforts to shut down those operations and lead to increased drunk driving and alcohol abuse by teens.

Ore. video poker upheld in court, but restaurateurs expect new threat

WILSONVILLE, Ore. — A Multnomah County Circuit Court judge has dismissed a lawsuit challenging the legality of video poker, but Oregon Restaurant Association officials said they fear gambling opponents will turn to the initiative process to block the start of state-run games.

"We won, but I have to think they [video poker opponents] will probably focus toward an initiative," remarked Michael McCallum, ORA's director of government relations.

Oregon lawmakers earlier this year approved ORA-sponsored legislation that empowered the state lottery commission to oversee a network of video poker machines in retail outlets and taverns. ORA said the games would bring in much needed revenues for its tavern-owning members.

Soviet leaders eye ways to make rubles convertible

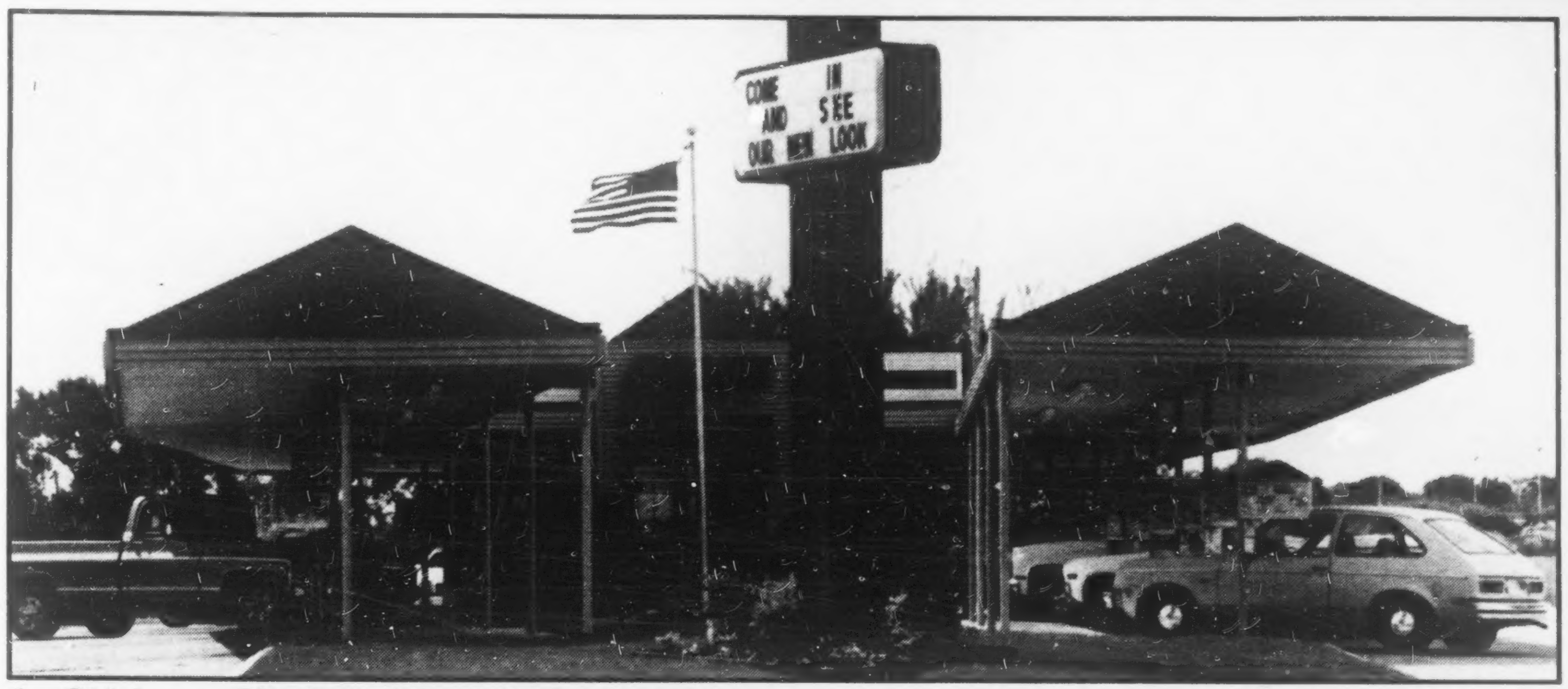
BANGKOK, Thailand — In a boon for U.S. foodservice operators eyeing opportunities in the Soviet Union, Soviet leaders have reportedly asked seven leading industrialized nations to help develop a means for converting rubles into other currencies.

At present, the U.S.S.R.'s currency cannot be exchanged for the monies of other nations, a situation that forces U.S. operators with units in the Soviet Union to use roundabout ways to bring their profits home. For instance, PepsiCo's Soviet enterprises convert their rubles into Stolichnaya, import the vodka into the United States and then sell it here for dollars.

At a meeting here of the world's seven major capitalist nations, known collectively as the Group of Seven, Soviet leaders reportedly asked the industrial giants to provide a funding pool to facilitate the ruble's transformation into a convertible money.

The Dow Jones news service said it obtained a copy of the request.

FINANCIAL NEWS



An Oklahoma City-based Sonic Drive-In unit.

Sonic's income soars in wake of going public

by Jack Hayes

OKLAHOMA CITY — Eight months after going public, Sonic Corp., operator of the 1,112-unit drive-in chain, thanked investors by ending its first year as a public company with a double-digit surge in revenues and a triple-digit explosion in net income.

For the year ended Aug. 31, Sonic posted a net income of $3.1 million, a gain of 230 percent from the prior-year figure, on revenues of $53.9 million, up 17.4 percent.

For the last three months of fiscal 1991, Sonic's revenues totaled $15.6 million, a 20-percent increase over the $13 million reported for the final three months of fiscal 1990. Net income for the period was $1.4 million, for a 213-percent spurt.

Analysts were impressed with the year-over-year sales gains of Sonic Drive-In units, whose competitors have complained about flat traffic. The chain's 80 company-owned stores had average volumes of about $480,000.

"You've got to talk about same-store sales being strong, as strong as anybody's else's," said David Geraty, restaurant analyst at Nashville, Tenn.-based Equitable Securities. "Last year they were up 13.5 percent. And they started the new year up close to 7 percent."

"I've heard other chains complain about September," added Becky Barfield of New York-based First Boston Securities. "But Sonic's same-store sales were up 7 percent for the month."

Clifford Hudson, Sonic's senior vice president for corporate development, said the fourth-quarter and fiscal-year revenue spurts came from a combination of same-store sales growth plus the addition of company and franchised units.

"We've been in small-town America 30 years," Hudson explained. "Sixty percent of our stores are in cities of 50,000 or less. But we're going into the major markets now."

Sonic turned eight franchised locations into company units and added four more company stores in fiscal 1991, Hudson noted. Franchisees stepped up store development as well, opening four more units last year than they did in fiscal 1990. The system closed its year with 1,112 stores, a net of 69 more units than it had in 1990.

"The IPO gave them the money for this," Geraty said. "And the new stores have higher volumes and better profits."

Sonic went public in February, raising $30 million on its offering, priced at $12.50 a share. Part of that cash funded store growth, and another portion went to retire existing debt.

Geraty said Sonic's revenues also grew from royalty increases. Provisions in the franchise agreement allow for an attractive buy-in with steady, gradual rate hikes. "Royalties will grow another 20 percent next year," he predicted.

Meanwhile, Hudson observed, the revenue surge boosted Sonic's marketing power. And analysts concurred.

"You have to talk about the impact of advertising," Geraty remarked. "In television dollars alone Sonic's ad spending went from $6 million in 1989 to $10.5 million during 1991. As system sales go up, the advertising budget grows. By 1995 the budget will be $30 million."

FOOD PRICE OUTLOOK

Orange juice prices may be on the rise

by Patt Patterson

There's good news and bad in the frozen concentrated **orange juice** outlook. The bad is that Florida won't have quite the heavy production that early forecasts predicted. So prices will undoubtedly move up; futures prices already have.

The good news is that higher prices for juice may free up more Brazilian juice. Brazil's producers have been stingy with sales recently, but higher prices might increase the supply, which would help stabilize prices here.

Although **tomato** processing in California started out late and was running well behind until the middle of September, it's catching up with last year's bumper totals. Starting late because of weather, the harvesting has been continuing in October's warmer than normal temperatures, and tonnage totals have been catching up with 1990's.

If you use **olives** in your operation, brace yourself. This is one of the smallest harvests in several years. The industry expects it to run between 50,000 and 60,000 tons, at best less than half of last year's 131,000 tons. Add to this the fact that the sizes in most demand for foodservice are in short supply, and you're going to see higher prices.

Frozen french fries are at about their lowest prices (f.o.b. processors) in the past decade. This year, for a change, there's plenty of Grade A product around, with Grade B a bit on the short side.

Lettuce production continues in the Salinas and Santa Maria areas of California, but will soon move into the San Joaquin Valley. Growers report they've had adequate water in the Huron area there. Prices, except for a few brief run-ups, have generally stayed low for iceberg and very low for leaf lettuces. Huron acreage and desert plans indicate moderate prices through the end of the year if nothing untoward happens.

FACT FILE

Keep 'em coming!
(number of customers per day)

Cracker Barrel	1696
Ryan's	1292
Shoney's	1166
Buffets	1005
Spaghetti Warehouse	989
Regas Grill (Brinker)	959
Quincy's (TW)	950
Bakers Square (VICORP)	923
Village Inn (VICORP)	869
Denny's (TW)	823
Chili'e (Brinker)	753
Macaroni Grill (Brinker)	738
Sizzler	734
Pizzeria Uno	698
IHOP	660
Bertucci's	623
Applebee's	621
Outback Steakhouse	442
Chart House	233

Source: Montgomery Securities

FINANCIAL DIGEST

Lower costs boost Southwest Cafes' net

DALLAS — Southwest Cafes said net income for the first quarter ended Aug. 19 jumped 46 percent, to $516,000, on a 3-percent gain in revenues, to $21.5 million.

The company attributed its profit gain to decreased labor and food costs.

Sales from company-owned stores increased 2.5 percent, to $20.2 million. Franchisee-generated income rose to $462,000 from $382,000 a year ago.

Southwest Cafes, formerly known as El Chico Corp., operates and franchises 90 units of six different concepts: El Chico, Cantina Laredo, Casa Rosa, Lupita's, Cuellar's Cafe and Texana Grill.

Applebee's franchisee plans IPO

MADISON, Ga. — Apple South Inc., the largest franchisee of Applebee's International, has applied to the Securities and Exchange Commission to issue publicly traded stock.

The company, which operates 40 of the system's 180 stores, is looking to raise $13 million in an initial public offering of 1.3 million shares.

Apple South is hoping to sell the shares at $11 to $13 a share. The proceeds will be used to pare down debt and raise working capital.

Tom E. Dupree, chairman and chief executive and holder of a 91.7-percent interest in the company, plans to sell 300,000 of the shares he holds, reducing his stake to 60.8 percent.

Apple South's IPO follows by nearly two years its franchisor's public offering.

Appel named controller of Cucos Inc.

METAIRIE, La. — Janice M. Appel has been promoted to controller of Cucos Inc.

Appel has held a variety of financial positions during her 10-year tenure with the company. She was most recently assistant controller.

Cucos operates 12 company and 19 franchised Sonora-style Mexican restaurants primarily in the Southeastern United States.

TW Holdings projects improved results

SAN FRANCISCO — TW Holdings predicts that its third-quarter results will be show an improvement over last year's performance because of the conglomerate's cost-control efforts.

TW is the operator of Denny's, Canteen Corp., Quincy's and some 480 franchised Hardee's units.

Chief financial officer Walter M. Brice explained that the company should report flat or slightly higher revenues and cash flow for the period ended Sept. 30.

The company's actual results will not be released until late this month, but Brice said there should be a "meaningful narrowing" of the gap between the company's cash flow for July and August 1991 and the amount reported for the same period of 1990.

For nearly 12 quarters TW Holdings has reported a string of losses and a burdensome debt load.

For the first half of the year, TW Holdings reported a 4.3-percent decline in cash flow compared with the results for the first six months of 1990.

Brice said he expects the company's performance to improve since labor productivity has increased, a variety of costs have declined, overall cost containment efforts were enforced and its troublesome Hardee's division posted an improvement in operations.

Brice also told stock analysts that TW Holdings will increase its capital spending next year, to $173.9 million, a 27-percent gain. He said the money would be used to build 58 new restaurants, remodel 168 old ones and procure the equipment for product rollouts.